# CREDIT SUISSE AG

(Incorporated in Switzerland)

Registration Document

This Registration Document comprises:

- Information incorporated by reference into this Registration Document (pages 4 to 13);
- Table of Contents (page 14);
- Risk Factors (page 15); and
- General Information (pages 15 to 18)

## What is this document?

This Registration Document constitutes a registration document for the purposes of Article 5.3 of Directive 2003/71/EC, as amended. This Registration Document is valid for one year from the date of its approval.

The Issuer publishes Registration Documents frequently. Each Registration Document may disclose significant new factors (and, potentially, material mistakes or inaccuracies in past Registration Documents) that have come to light since the date of the previous Registration Document. It is therefore important that you read the most recent Registration Document available, in addition to certain other documents (see "*What other documents do I need to read*?", below).

## What type of securities does this Registration Document relate to?

This Registration Document relates to the issuance of debt and/or derivative securities of Credit Suisse AG. The terms of the securities will be explained in detail in the relevant securities note.

## Who is the issuer?

The securities will be issued by Credit Suisse AG. The payment of any amount due under the securities is subject to Credit Suisse AG's financial position and its ability to meet its obligations. This Registration Document, the information incorporated herein by reference and any information on Credit Suisse AG provided in the securities note and summary, provide a description of Credit Suisse AG's business activities as well as certain financial information and material risks faced by Credit Suisse AG.

## How to use this Registration Document?

Credit Suisse AG prepares this Registration Document in accordance with Annex XI of Commission Regulation (EC) No. 809/2004 of 29 April 2004 (the "Prospectus Regulation") following the publication of certain public disclosures made by Credit Suisse. Since Credit Suisse AG's annual report is available for the latest financial year, 2015, this Registration Document incorporates by reference the specified portions of that annual report, which serves to update as of its date the disclosure in this Registration Document about Credit Suisse Group AG, including Credit Suisse AG. This Registration Document also incorporates by reference all or part of certain other documents (listed below):

- a media release regarding the restructuring of Credit Suisse's Global Markets activities and a media release containing proposals for the Annual General Meeting of Credit Suisse Group AG;

- a media release regarding the outcome of the Annual General Meeting of Credit Suisse Group AG and the Credit Suisse Financial Report 1Q16;

- the Credit Suisse Financial Report 2Q16, the Credit Suisse (Bank) Financial Statements 6M16 and the 2016 six-month financial information of Credit Suisse Group AG;

- a media release announcing changes to the Executive Board of Credit Suisse Group AG and Credit Suisse AG and a media release announcing the appointment of new members to the Board of Directors of Credit Suisse (Switzerland) Ltd., and upcoming changes to the Board of Directors of Credit Suisse Group AG;

- the Credit Suisse Financial Report 3Q16;

- a media release relating to Credit Suisse's Investor Day presentation;

- a media release relating to a settlement in principle with the United States Department of Justice (the "DOJ") regarding Credit Suisse's legacy Residential Mortgage-Backed Securities ("RMBS") matter;

- a media release relating to the finalization of Credit Suisse's settlement with the DOJ regarding Credit Suisse's legacy RMBS matter; and

- by way of update to the Credit Suisse AG Registration Document of 1 February 2017 (which this Registration Document replaces in its entirety), the Credit Suisse Earnings Release 4Q16.

The section "*Risk Factors*" in this Registration Document describes the principal risks and uncertainties relating to the Issuer which may affect Credit Suisse AG's ability to fulfill its obligations under the securities to investors issued pursuant to the prospectus of which this Registration Document will be a part.

The section "*Information incorporated by reference into this Registration Document*" in this Registration Document sets out the information that is deemed to be incorporated by reference in this Registration Document. The table in this section also gives a general description of what these documents contain, where it may not otherwise be clear from the title of the relevant release. The documents containing information incorporated by reference are all available as specified in that section. Prospective investors should read those documents.

The section "*General Information*" in this Registration Document provides certain information about Credit Suisse AG generally as well as the nature of Credit Suisse AG's business.

The section "*Change*" sets out certain material adverse changes (as specified) and certain significant changes (as specified) since the specified dates.

The section "*Legal and Arbitration Proceedings"* sets out certain governmental, legal and arbitration proceedings which may be significant as specified.

The above is not an exhaustive list of the sections in this Registration Document. Please see the table of contents on page 14 for a list of the other sections, all of which form part of this Registration Document and therefore part of the prospectus of which this Registration Document will be a part.

## What other documents do I need to read?

In addition to the entirety of this Registration Document, you should read the information incorporated into this Registration Document by reference, along with the relevant summary and securities note, which together form the prospectus under which the securities will be issued. The complete prospectus should be read by an investor contemplating an investment in Credit Suisse AG securities to which the prospectus relates.

This Registration Document has been prepared in accordance with Directive 2003/71/EC, as amended by Directive 2010/73/EU, as implemented in the United Kingdom. The information in this Registration Document has been prepared pursuant to Article 14 of the Prospectus Regulation. This Registration Document as approved by the United Kingdom Listing Authority replaces in its entirety the Registration Document approved by the United Kingdom Listing Authority dated 1 February 2017.

**Credit Suisse AG is the Swiss bank subsidiary of Credit Suisse Group AG. They are distinct entities. We use the term "the Bank" when we are referring to Credit Suisse AG and its consolidated subsidiaries. We use the terms "Credit Suisse", "the Group", "we", "us" and "our" when we are referring to Credit Suisse Group AG and its consolidated subsidiaries, including Credit Suisse AG. However, because the business of the Bank and Credit Suisse is substantially similar, references to "Credit Suisse", "the Group", "we", "us" and "our" can also be taken to be applicable to the Bank when the subject is the same or substantially similar.**

**Please see pages 62 to 63 of the Annual Report 2015 for information on the differences between the Bank and the Group businesses.**

**Information incorporated by reference into this Registration Document**

The information specified in the section below (*Source Documents*) has been filed with the United Kingdom Listing Authority and, to the extent specified in the section further below (*Information incorporated by reference from the Source Documents*) will form part of this Registration Document.

Source Documents

Fourth Quarter 2016 Earnings Release on Form 6-K

1. The Form 6-K of Credit Suisse AG filed with the United States Securities and Exchange Commission (the "SEC") on 14 February 2017 (the "Form 6-K Dated 14 February 2017"), which contains the Credit Suisse Earnings Release 4Q16 as an exhibit thereto.

Media Release on Form 6-K

2. The Form 6-K of Credit Suisse Group AG and Credit Suisse AG filed with the SEC on 18 January 2017 (the "Form 6-K Dated 18 January 2017") containing a media release relating to the finalization of Credit Suisse's settlement with the DOJ regarding Credit Suisse's legacy RMBS matter.

Media Release on Form 6-K

3. The Form 6-K of Credit Suisse Group AG and Credit Suisse AG filed with the SEC on 23 December 2016 (the "Form 6-K Dated 23 December 2016") containing a media release relating to a settlement in principle with the DOJ regarding Credit Suisse's legacy RMBS matter.

Media Release on Form 6-K

4. The Form 6-K of Credit Suisse Group AG and Credit Suisse AG filed with the SEC on 7 December 2016 (the "Form 6-K Dated 7 December 2016"), which contains a media release relating to Credit Suisse's Investor Day presentation.

Third Quarter 2016 Financial Report on Form 6-K

5. The Form 6-K of Credit Suisse AG filed with the SEC on 3 November 2016 (the "Form 6-K Dated 3 November 2016"), which contains the Credit Suisse Financial Report 3Q16 as an exhibit thereto.

Media Release on Form 6-K

6. The Form 6-K of Credit Suisse Group AG and Credit Suisse AG filed with the SEC on 7 September 2016 (the "Form 6-K Dated 7 September 2016"), which contains a media release regarding changes to the Executive Board of Credit Suisse Group AG and Credit Suisse AG.

Media Release on Form 6-K

7. The Form 6-K of Credit Suisse Group AG and Credit Suisse AG filed with the SEC on 6 September 2016 (the "Form 6-K Dated 6 September 2016"), which contains a media release announcing the appointment of new members to the Board of Directors of Credit Suisse (Switzerland) Ltd., and upcoming changes to the Board of Directors of Credit Suisse Group AG. Credit Suisse (Switzerland) Ltd. will also operate under the name Credit Suisse (Schweiz) AG. Alexandre Zeller, who has been appointed the Chairman of the Board of Directors of Credit Suisse (Switzerland) Ltd. with effect from 1 October 2016, will be proposed for election as a member of the Board of Directors of Credit Suisse Group AG at the next Annual General Meeting of Credit Suisse Group AG.

Second Quarter 2016 Financial Report on Form 6-K

8. The Form 6-K of Credit Suisse AG filed with the SEC on 28 July 2016 (the "Bank Form 6-K Dated 28 July 2016"), which contains as exhibits, among other things, (i) the Credit Suisse Financial Report 2Q16, and (ii) the Credit Suisse (Bank) Financial Statements 6M16, within which there is unaudited information for Credit Suisse AG for the six months ended 30 June 2016.

Six-Month Financial Information of the Group for 2016

9. The Form 6-K of Credit Suisse Group AG filed with the SEC on 28 July 2016 (the "Group Form 6-K Dated 28 July 2016"), which contains six-month financial information relating to Credit Suisse Group AG, within which there is a discussion of Credit Suisse Group AG's core results for the six months ended 30 June 2016 compared to the six months ended 30 June 2015.

First Quarter 2016 Financial Report on Form 6-K

10. The Form 6-K of Credit Suisse AG filed with the SEC on 10 May 2016 (the "Form 6-K Dated 10 May 2016"), which contains the Credit Suisse Financial Report 1Q16 as an exhibit thereto.

Media Release on Form 6-K

11. The Form 6-K of Credit Suisse Group AG and Credit Suisse AG filed with the SEC on 29 April 2016 (the "Form 6-K Dated 29 April 2016"), which contains a media release regarding the outcome of the Annual General Meeting of Credit Suisse Group AG on 29 April 2016.

Form 20-F

12. The Form 20-F of Credit Suisse Group AG and Credit Suisse AG filed with the SEC on 24 March 2016 (the "Form 20-F 2015") which contains the 2015 Annual Report (the "Annual Report 2015") attached as an exhibit thereto. The Annual Report 2015 includes, among others, the financial statements of Credit Suisse Group AG and Credit Suisse AG as of and for the years ended 31 December 2015 and 2014.

Media Release on Form 6-K/A

13. The Form 6-K/A of Credit Suisse Group AG and Credit Suisse AG filed with the SEC on 24 March 2016 (the "Form 6-K/A Dated 24 March 2016"), which contains a media release containing proposals for the Annual General Meeting of Credit Suisse Group AG.

Media Release on Form 6-K

14. The Form 6-K of Credit Suisse Group AG and Credit Suisse AG filed with the SEC on 23 March 2016 (the "Form 6-K Dated 23 March 2016"), which contains a media release regarding the restructuring of Credit Suisse's Global Markets activities.

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The information that is not incorporated herein by reference from each of the Form 6-K Dated 7 December 2016, the Form 6-K Dated 3 November 2016, the Bank Form 6-K Dated 28 July 2016, the Group Form 6-K Dated 28 July 2016, the Form 6-K Dated 10 May 2016, the Form 6-K Dated 29 April 2016 and the Form 20-F 2015 either (a) is covered elsewhere in the Registration Document; or (b) is not relevant for an investor of securities to which this Registration Document relates.

Copies of the Source Documents specified above can be obtained via EDGAR on the SEC website at www.sec.gov. Only the specified portions of such Source Documents have been incorporated by reference into this Registration Document, and not, for the avoidance of doubt, any other parts of the websites referred to in this Registration Document.

**Prospective investors should read the entire document and, in particular, the Risk Factors set out in pages 40 to 48 of the Annual Report 2015, when considering an investment in Credit Suisse AG securities.**

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**Risk Factors**

See pages 40 to 48 of the Annual Report 2015 that disclose the principal risks to Credit Suisse Group AG and its consolidated subsidiaries, including Credit Suisse AG, which are incorporated herein by reference. Notwithstanding anything in the 'Operational Risk - we are exposed to a wide variety of operational risks, including information technology risk' risk factor, this risk factor should not be implying that either the Bank or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the Financial Conduct Authority.

**General Information**

**1. Credit Suisse AG**

The Bank was established on 5 July 1856 and registered in the Commercial Register (registration no. CH-020.3.923.549-1) of the Canton of Zurich on 27 April 1883 for an unlimited duration under the name Schweizerische Kreditanstalt. Credit Suisse's name was changed to Credit Suisse First Boston on 11 December 1996. On 13 May 2005, the Swiss banks Credit Suisse First Boston and Credit Suisse were merged. Credit Suisse First Boston was the surviving legal entity, and its name was changed to Credit Suisse (by entry in the commercial register). On 9 November 2009, Credit Suisse was renamed "Credit Suisse AG".

Credit Suisse AG, a Swiss bank and joint stock corporation established under Swiss law and governed by the Swiss Federal Code of Obligations of 30 March 1911 (and subsequently amended), is a wholly owned subsidiary of Credit Suisse Group AG. Credit Suisse AG's registered head office is in Zurich, and it has additional executive offices and principal branches located in London, New York, Hong Kong, Singapore and Tokyo. For further information on Credit Suisse AG's relationship to Credit Suisse Group AG, see pages 62 to 63 of the Annual Report 2015.

Credit Suisse AG's registered head office is located at Paradeplatz 8, CH-8001, Zurich, Switzerland, and its telephone number is 41-44-333-1111.

**2. Auditors**

The Bank's statutory and bank law auditor is KPMG AG, Badenerstrasse 172, 8004 Zurich, Switzerland (KPMG). KPMG is a member of the Swiss Institute of Certified Accountants and Tax Consultants.

The Bank's special auditor for the purposes of issuing the legally required report for capital increases in accordance with Article 652f of the Swiss Code of Obligations is BDO AG, Fabrikstrasse 50, 8031 Zurich, Switzerland.

KPMG and BDO AG are both licensed by the Federal Audit Oversight Authority, which is responsible for the licensing and supervision of audit firms and individuals which provide audit services in Switzerland.

Further information on the Bank's auditor may be found on page 214 of the Annual Report 2015.

**3. Documents on Display**

For the life of this Registration Document, the following documents (or copies thereof) may be physically inspected at the registered head office of Credit Suisse AG at Paradeplatz 8, CH-8001, Zurich, Switzerland:

i. the Articles of Association of Credit Suisse AG; and

ii. historical financial information of Credit Suisse AG and its subsidiary undertakings for the financial years ended 31 December 2015 and 2014.

This information is also available on the Credit Suisse website, www.credit-suisse.com.

**4. Change**

There has been no significant change in the financial position of Credit Suisse AG and its consolidated subsidiaries since 31st December 2016.

There has been no material adverse change in the prospects of Credit Suisse AG and its consolidated subsidiaries since 31st December 2015, except as disclosed in the Form 6-K Dated 14 February 2017 under the heading "RMBS settlement" on page 4 of the exhibit (Credit Suisse Earnings Release 4Q16) to the Form 6-K Dated 14 February 2017, and in the media releases dated 18th January 2017 and 23rd December 2016 relating to Credit Suisse's settlement with the DOJ regarding Credit Suisse's legacy RMBS business. This settlement releases Credit Suisse from potential civil claims by the DOJ related to its securitisation, underwriting, issuance and sale of RMBS. Under the terms of the settlement, Credit Suisse will pay to the DOJ a civil monetary penalty of USD 2.48 billion. In addition, Credit Suisse will provide consumer relief totaling USD 2.8 billion within five years post settlement. These consumer relief measures include affordable housing payments and loan forgiveness. The DOJ and Credit Suisse agreed to the appointment of an independent monitor to oversee the completion of the consumer relief requirements of the settlement. In 4Q16, Credit Suisse recorded a litigation provision of USD 1,990 million in its Strategic Resolution Unit in addition to its existing reserves of USD 550 million against this matter which were recorded in prior periods.

Please see "Risk Factors" on pages 40 to 48 of the Annual Report 2015 for the risk factors that may affect the future results of operations or financial condition of Credit Suisse Group AG and its consolidated subsidiaries, including Credit Suisse AG.

Please see "Operating environment" on pages 6 to 8 of the exhibit (Credit Suisse Financial Report 3Q16) to the Form 6-K Dated 3 November 2016, "Operating environment" on pages 6 to 8 of the third exhibit (Credit Suisse Financial Report 2Q16) to the Bank Form 6-K Dated 28 July 2016, "Operating environment" on pages 7 to 9 of the exhibit (Credit Suisse Financial Report 1Q16) to the Form 6-K Dated 10 May 2016 and "Strategy", "Divisions", and "Operating Environment" on, respectively, pages 13 to 17, 18 to 24 and 50 to 52 of the Annual Report 2015 for information relating to trends, uncertainties, the economic environment that may affect the future results of operations or financial condition of Credit Suisse Group AG and its consolidated subsidiaries, including Credit Suisse AG.

**5. Names and Addresses of Directors and Executives**

The business address of the members of the Board of Directors and the members of the Executive Board is Paradeplatz 8, CH-8001, Zurich, Switzerland.

The current members of the Board of Directors are as follows:

- Urs Rohner, Chairman
- Jassim Bin Hamad J. J. Al Thani
- Iris Bohnet
- Noreen Doyle
- Alexander Gut
- Andreas N. Koopmann
- Jean Lanier
- Seraina Maag
- Kai S. Nargolwala
- Joaquin J. Ribeiro
- Severin Schwan
- Richard E. Thornburgh
- John Tiner

The current members of the Executive Board are as follows:

- Tidjane Thiam, Chief Executive Officer
- James L. Amine

- Pierre-Olivier Bouée
- Romeo Cerutti
- Brian Chin
- Peter Goerke
- Thomas Gottstein
- Iqbal Khan
- David R. Mathers
- Joachim Oechslin
- Helman Sitohang
- Lara Warner

The composition of the Board of Directors of the Bank and the Group is identical. The composition of the Executive Board of the Bank and the Group is identical.

Further information about the members of the Board of Directors and the Executive Board can be found on pages 192 to 212 of the Annual Report 2015, in the Form 6-K Dated 29 April 2016, in the Form 6-K Dated 7 September 2016 and on page 13 of the exhibit (Credit Suisse Financial Report 3Q16) to the Form 6-K Dated 3 November 2016.

**6. Market Activity**

The Group may update its expectations on market activity, and any such update will be included in its quarterly or annual reports. For information on Credit Suisse AG's principal markets and activities, see pages 12 to 24 and 50 to 52 of the Annual Report 2015.

**7. Conflicts**

There are no potential conflicts of interest of the members of the Board of Directors, and the members of the Executive Board between their duties to Credit Suisse AG and their private interests and/or other duties.

**8. Responsibility Statements**

Credit Suisse AG takes responsibility for this Registration Document. Having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best knowledge of Credit Suisse AG, in accordance with the facts and contains no omission likely to affect its import.

**9. Legal and Arbitration Proceedings**

Except as disclosed in the Form 6-K Dated 14 February 2017 under the heading "RMBS settlement" on page 4 of the exhibit (Credit Suisse Earnings Release 4Q16) to the Form 6-K Dated 14 February 2017, in the Form 6-K Dated 18 January 2017, in the Form 6-K Dated 23 December 2016, in the Form 6-K Dated 3 November 2016 under the heading "Litigation" (note 31 to the condensed consolidated financial statements of Credit Suisse Group AG on pages 161 to 163 of the exhibit (Credit Suisse Financial Report 3Q16) to the Form 6-K Dated 3 November 2016), in the Bank Form 6-K Dated 28 July 2016 under the heading "Litigation" (note 31 to the condensed consolidated financial statements of Credit Suisse Group AG on pages 161 to 163 of the third exhibit (Credit Suisse Financial Report 2Q16) to the Bank Form 6-K Dated 28 July 2016), in the Form 6-K Dated 10 May 2016 under the heading "Litigation" (note 31 to the condensed consolidated financial statements of Credit Suisse Group AG on pages 151 to 152 of the exhibit (Credit Suisse Financial Report 1Q16) to the Form 6-K Dated 10 May 2016) and in the Annual Report 2015 under the heading "Litigation" (note 39 to the condensed consolidated financial statements of Credit Suisse Group AG on pages 375 to 382 of the Annual Report 2015), there are no, and have not been during the period 12 months ending on the date of this Registration Document, governmental, legal or arbitration proceedings which may have, or have had in the past, significant effects on the Bank or the Group's financial position or profitability, and Credit Suisse AG is not aware of any such proceedings being either pending or threatened.

In respect of each of the claims disclosed in the documents at the page references listed

above in this paragraph 9. Legal and Arbitration Proceedings, the amount of damages claimed (if specified in the relevant proceeding) and certain other quantifiable information that is publicly available is disclosed. In addition, a roll forward of the Group's aggregate litigation provisions is disclosed in Note 39 to its consolidated financial statements on pages 375 to 382 of the Annual Report 2015.

The Group's aggregate litigation provisions include estimates of reasonably possible loss or range of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of the complexity of the proceedings, the novelty of some of the claims, the early stage of the proceedings and limited amount of discovery that has occurred and/or other factors. The Group estimates that the aggregate range of reasonably possible losses that are not covered by existing provisions is zero to CHF2.6 billion. The Group believes that any potential losses arising from litigation that have not been provided for in the consolidated financial statements, or that have not been quantitatively estimated, are either not material or cannot be reasonably estimated.

Credit Suisse Group AG discloses information about material settlements in its quarterly and annual reports.

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

# Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

February 14, 2017

Commission File Number 001-33434

# CREDIT SUISSE AG
(Translation of registrant's name into English)

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

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

# Introduction

This report filed on Form 6-K contains certain information about Credit Suisse AG (Bank) relating to its results as of and for the three and twelve months ended December 31, 2016. On February 14, 2017, Credit Suisse Group AG (Group) announced its results for such three and twelve month period. A copy of the related Earnings Release is attached as an exhibit to this Form 6-K.

This Form 6-K (including the exhibit hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and (ii) shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended.

Credit Suisse AG is a Swiss bank and joint stock corporation established under Swiss law, and is a wholly-owned subsidiary of the Group. The Bank's registered head office is in Zurich, and it has additional executive offices and principal branches in London, New York, Hong Kong, Singapore and Tokyo.

References herein to "CHF" are to Swiss francs.

# Key information

## Selected financial data

### Condensed consolidated statements of operations

| in | 4Q16 | 4Q15 | % change | 2016 | 2015 | % change |
|---|---|---|---|---|---|---|
| **Condensed consolidated statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 3,700 | 4,408 | (16) | 16,925 | 18,857 | (10) |
| Interest expense | (2,170) | (2,310) | (6) | (9,737) | (9,990) | (3) |
| Net interest income | 1,530 | 2,098 | (27) | 7,188 | 8,867 | (19) |
| Commissions and fees | 2,881 | 2,875 | 0 | 10,817 | 11,846 | (9) |
| Trading revenues | 320 | (1,344) | – | 370 | 1,298 | (71) |
| Other revenues | 362 | 484 | (25) | 1,427 | 1,200 | 19 |
| **Net revenues** | **5,093** | **4,113** | 24 | **19,802** | **23,211** | (15) |
| **Provision for credit losses** | **68** | **121** | (44) | **216** | **276** | (22) |
| Compensation and benefits | 2,706 | 3,132 | (14) | 10,645 | 11,523 | (8) |
| General and administrative expenses | 3,855 | 2,803 | 38 | 9,458 | 8,614 | 10 |
| Commission expenses | 389 | 406 | (4) | 1,441 | 1,614 | (11) |
| Goodwill impairment | 0 | 3,797 | (100) | 0 | 3,797 | (100) |
| Restructuring expenses | 55 | 325 | (83) | 510 | 325 | 57 |
| Total other operating expenses | 4,299 | 7,331 | (41) | 11,409 | 14,350 | (20) |
| **Total operating expenses** | **7,005** | **10,463** | (33) | **22,054** | **25,873** | (15) |
| **Income/(loss) before taxes** | **(1,980)** | **(6,471)** | (69) | **(2,468)** | **(2,938)** | (16) |
| Income tax expense/(benefit) | 475 | (619) | – | 385 | 439 | (12) |
| **Net income/(loss)** | **(2,455)** | **(5,852)** | (58) | **(2,853)** | **(3,377)** | (16) |
| Net income/(loss) attributable to noncontrolling interests | (3) | 11 | – | (6) | (7) | (14) |
| **Net income/(loss) attributable to shareholders** | **(2,452)** | **(5,863)** | (58) | **(2,847)** | **(3,370)** | (16) |

## Condensed consolidated balance sheets

| end of | 4Q16 | 4Q15 | % change |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | 118,973 | 90,521 | 31 |
| Interest-bearing deposits with banks | 3,117 | 4,953 | (37) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 135,128 | 123,436 | 9 |
| Securities received as collateral | 32,564 | 28,511 | 14 |
| Trading assets | 165,356 | 191,096 | (13) |
| Investment securities | 2,192 | 2,698 | (19) |
| Other investments | 6,488 | 6,787 | (4) |
| Net loans | 259,541 | 254,915 | 2 |
| Premises and equipment | 4,563 | 4,439 | 3 |
| Goodwill | 4,023 | 3,929 | 2 |
| Other intangible assets | 213 | 196 | 9 |
| Brokerage receivables | 33,429 | 34,540 | (3) |
| Other assets | 36,707 | 57,910 | (37) |
| **Total assets** | **802,294** | **803,931** | 0 |
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 23,066 | 21,460 | 7 |
| Customer deposits | 344,578 | 331,700 | 4 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 33,016 | 46,598 | (29) |
| Obligation to return securities received as collateral | 32,564 | 28,511 | 14 |
| Trading liabilities | 44,951 | 49,054 | (8) |
| Short-term borrowings | 15,385 | 8,657 | 78 |
| Long-term debt | 187,325 | 192,094 | (2) |
| Brokerage payables | 39,852 | 39,452 | 1 |
| Other liabilities | 39,534 | 41,715 | (5) |
| **Total liabilities** | **760,271** | **759,241** | 0 |
| **Total shareholder's equity** | **40,954** | **43,406** | (6) |
| Noncontrolling interests | 1,069 | 1,284 | (17) |
| **Total equity** | **42,023** | **44,690** | (6) |
| **Total liabilities and equity** | **802,294** | **803,931** | 0 |

## BIS statistics (Basel III)

| end of | 4Q16 | 4Q15 | % change |
|---|---|---|---|
| **Eligible capital (CHF million)** | | | |
| Common equity tier 1 (CET1) capital | 34,788 | 40,013 | (13) |
| Tier 1 capital | 46,393 | 50,570 | (8) |
| Total eligible capital | 53,314 | 60,242 | (12) |
| **Capital ratios (%)** | | | |
| CET1 ratio | 13.2 | 13.9 | – |
| Tier 1 ratio | 17.6 | 17.6 | – |
| Total capital ratio | 20.2 | 21.0 | – |

# Operating and financial review and prospects

Except where noted, the business of the Bank is substantially the same as the business of the Group, and substantially all of the Bank's operations are conducted through the Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit segments. These segment results are included in Core Results, except for the Strategic Resolution Unit, which is part of the Credit Suisse Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the six segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Swiss Universal Bank, financing vehicles of the Group and hedging activities relating to share-based compensation awards. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

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

## Differences between the Group and the Bank businesses

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

## Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **2016** | 2015 | **2016** | 2015 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 19,802 | 23,211 | 20,323 | 23,797 |
| Total operating expenses | 22,054 | 25,873 | 22,037 | 25,895 |
| Income/(loss) before taxes | (2,468) | (2,938) | (1,966) | (2,422) |
| Net income/(loss) | (2,853) | (3,377) | (2,435) | (2,945) |
| Net income/(loss) attributable to shareholders | (2,847) | (3,370) | (2,438) | (2,944) |
| of which from continuing operations | (2,847) | (3,370) | (2,438) | (2,944) |

## Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **4Q16** | 4Q15 | **4Q16** | 4Q15 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 5,093 | 4,113 | 5,181 | 4,210 |
| Total operating expenses | 7,005 | 10,463 | 7,009 | 10,518 |
| Income/(loss) before taxes | (1,980) | (6,471) | (1,903) | (6,441) |
| Net income/(loss) | (2,455) | (5,852) | (2,345) | (5,814) |
| Net income/(loss) attributable to shareholders | (2,452) | (5,863) | (2,347) | (5,828) |
| of which from continuing operations | (2,452) | (5,863) | (2,347) | (5,828) |

## Comparison of selected balance sheet information

| | Bank | | Group | |
|---|---|---|---|---|
| end of | **4Q16** | 4Q15 | **4Q16** | 4Q15 |
| **Balance sheet statistics (CHF million)** | | | | |
| Total assets | 802,294 | 803,931 | 819,833 | 820,805 |
| Total liabilities | 760,271 | 759,241 | 777,250 | 775,787 |

# Exhibits

**No. Description**

99.1 Credit Suisse Earnings Release 4Q16

# Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CREDIT SUISSE AG**
(Registrant)

Date: February 14, 2017

By:
/s/ Tidjane Thiam
Tidjane Thiam
Chief Executive Officer

By:
/s/ David R. Mathers
David R. Mathers
Chief Financial Officer

CREDIT SUISSE

# Earnings Release

4Q16

## Key metrics

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | | | | |
| Net income/(loss) attributable to shareholders | (2,347) | 41 | (5,828) | – | (60) | (2,438) | (2,944) | (17) |
| Basic earnings/(loss) per share (CHF) | (1.12) | 0.02 | (3.28) | – | (66) | (1.19) | (1.73) | (31) |
| Diluted earnings/(loss) per share (CHF) | (1.12) | 0.02 | (3.28) | – | (66) | (1.19) | (1.73) | (31) |
| Return on equity attributable to shareholders (%) | (21.3) | 0.4 | (51.3) | – | – | (5.5) | (6.8) | – |
| Effective tax rate (%) | (23.2) | 83.3 | 9.7 | – | – | (23.9) | (21.6) | – |
| **Core Results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 5,383 | 5,561 | 4,336 | (3) | 24 | 21,594 | 23,286 | (7) |
| Provision for credit losses | 47 | 50 | 33 | (6) | 42 | 141 | 187 | (25) |
| Total operating expenses | 4,644 | 4,437 | 9,422 | 5 | (51) | 17,960 | 22,869 | (21) |
| Income/(loss) before taxes | 692 | 1,074 | (5,119) | (36) | – | 3,493 | 230 | – |
| Cost/income ratio (%) | 86.3 | 79.8 | 217.3 | – | – | 83.2 | 98.2 | – |
| **Assets under management and net new assets (CHF billion)** | | | | | | | | |
| Assets under management | 1,252.5 | 1,255.2 | 1,214.1 | (0.2) | 3.2 | 1,252.5 | 1,214.1 | 3.2 |
| Net new assets | (6.7) | 11.9 | 2.1 | – | – | 27.8 | 46.9 | (40.7) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 819,833 | 806,711 | 820,805 | 2 | 0 | 819,833 | 820,805 | 0 |
| Net loans | 275,976 | 274,606 | 272,995 | 0 | 1 | 275,976 | 272,995 | 1 |
| Total shareholders' equity | 42,169 | 44,276 | 44,382 | (5) | (5) | 42,169 | 44,382 | (5) |
| Tangible shareholders' equity | 37,043 | 39,359 | 39,378 | (6) | (6) | 37,043 | 39,378 | (6) |
| **Basel III regulatory capital and leverage statistics** | | | | | | | | |
| CET1 ratio (%) | 13.6 | 14.1 | 14.3 | – | – | 13.6 | 14.3 | – |
| Look-through CET1 ratio (%) | 11.6 | 12.0 | 11.4 | – | – | 11.6 | 11.4 | – |
| Look-through CET1 leverage ratio (%) | 3.3 | 3.4 | 3.3 | – | – | 3.3 | 3.3 | – |
| Look-through Tier 1 leverage ratio (%) | 4.4 | 4.6 | 4.5 | – | – | 4.4 | 4.5 | – |
| **Share information** | | | | | | | | |
| Shares outstanding (million) | 2,089.9 | 2,088.3 | 1,951.5 | 0 | 7 | 2,089.9 | 1,951.5 | 7 |
| of which common shares issued | 2,089.9 | 2,089.9 | 1,957.4 | 0 | 7 | 2,089.9 | 1,957.4 | 7 |
| of which treasury shares | 0.0 | (1.6) | (5.9) | 100 | 100 | 0.0 | (5.9) | 100 |
| Book value per share (CHF) | 20.18 | 21.20 | 22.74 | (5) | (11) | 20.18 | 22.74 | (11) |
| Tangible book value per share (CHF) | 17.72 | 18.85 | 20.18 | (6) | (12) | 17.72 | 20.18 | (12) |
| Market capitalization (CHF million) | 30,533 | 26,563 | 42,456 | 15 | (28) | 30,533 | 42,456 | (28) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 47,170 | 47,690 | 48,210 | (1) | (2) | 47,170 | 48,210 | (2) |

See relevant tables for additional information on these metrics.

# Credit Suisse

In 4Q16, we recorded a net loss attributable to shareholders of CHF 2,347 million. The diluted loss per share was CHF 1.12 and the return on equity attributable to shareholders was (21.3)%. As of the end of 4Q16, our BIS CET1 ratio was 11.6% on a look-through basis.

## Results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 1,622 | 1,930 | 2,194 | (16) | (26) | 7,562 | 9,299 | (19) |
| Commissions and fees | 2,941 | 2,680 | 2,914 | 10 | 1 | 11,092 | 12,044 | (8) |
| Trading revenues | 258 | 232 | (1,349) | 11 | – | 313 | 1,340 | (77) |
| Other revenues | 360 | 554 | 451 | (35) | (20) | 1,356 | 1,114 | 22 |
| **Net revenues** | **5,181** | **5,396** | **4,210** | (4) | 23 | **20,323** | **23,797** | (15) |
| **Provision for credit losses** | **75** | **55** | **133** | 36 | (44) | **252** | **324** | (22) |
| Compensation and benefits | 2,682 | 2,674 | 3,149 | 0 | (15) | 10,572 | 11,546 | (8) |
| General and administrative expenses | 3,884 | 1,978 | 2,808 | 96 | 38 | 9,470 | 8,574 | 10 |
| Commission expenses | 394 | 322 | 409 | 22 | (4) | 1,455 | 1,623 | (10) |
| Goodwill impairment | 0 | 0 | 3,797 | – | (100) | 0 | 3,797 | (100) |
| Restructuring expenses | 49 | 145 | 355 | (66) | (86) | 540 | 355 | 52 |
| Total other operating expenses | 4,327 | 2,445 | 7,369 | 77 | (41) | 11,465 | 14,349 | (20) |
| **Total operating expenses** | **7,009** | **5,119** | **10,518** | 37 | (33) | **22,037** | **25,895** | (15) |
| **Income/(loss) before taxes** | **(1,903)** | **222** | **(6,441)** | – | (70) | **(1,966)** | **(2,422)** | (19) |
| Income tax expense/(benefit) | 442 | 185 | (627) | 139 | – | 469 | 523 | (10) |
| **Net income/(loss)** | **(2,345)** | **37** | **(5,814)** | – | (60) | **(2,435)** | **(2,945)** | (17) |
| Net income/(loss) attributable to noncontrolling interests | 2 | (4) | 14 | – | (86) | 3 | (1) | – |
| **Net income/(loss) attributable to shareholders** | **(2,347)** | **41** | **(5,828)** | – | (60) | **(2,438)** | **(2,944)** | (17) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | (16.0) | 1.8 | (50.7) | – | – | (4.1) | (4.5) | – |
| Cost/income ratio | 135.3 | 94.9 | 249.8 | – | – | 108.4 | 108.8 | – |
| Effective tax rate | (23.2) | 83.3 | 9.7 | – | – | (23.9) | (21.6) | – |
| **Earnings per share (CHF)** | | | | | | | | |
| Basic earnings/(loss) per share | (1.12) | 0.02 | (3.28) | – | (66) | (1.19) | (1.73) | (31) |
| Diluted earnings/(loss) per share | (1.12) | 0.02 | (3.28) | – | (66) | (1.19) | (1.73) | (31) |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity attributable to shareholders | (21.3) | 0.4 | (51.3) | – | – | (5.5) | (6.8) | – |
| Return on tangible equity attributable to shareholders [1] | (24.1) | 0.4 | (62.7) | – | – | (6.2) | (8.4) | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 819,833 | 806,711 | 820,805 | 2 | 0 | 819,833 | 820,805 | 0 |
| Risk-weighted assets [2] | 268,045 | 270,462 | 289,946 | (1) | (8) | 268,045 | 289,946 | (8) |
| Leverage exposure [2] | 950,763 | 948,744 | 987,628 | 0 | (4) | 950,763 | 987,628 | (4) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 47,170 | 47,690 | 48,210 | (1) | (2) | 47,170 | 48,210 | (2) |

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

[2] Disclosed on a look-through basis.

## RESULTS SUMMARY

### 4Q16 results

In 4Q16, Credit Suisse reported a net loss attributable to shareholders of CHF 2,347 million compared to net income attributable to shareholders of CHF 41 million in 3Q16 and a net loss attributable to shareholders of CHF 5,828 million in 4Q15. The 4Q16 results included net litigation provisions of CHF 2,170 million, primarily relating to the settlement with the US Department of Justice (DOJ) regarding our legacy residential mortgage-backed securities (RMBS) business. Our 4Q15 results included a significant goodwill impairment charge of CHF 3,797 million. In 4Q16, Credit Suisse reported an adjusted income before taxes of CHF 171 million.

### 2016 results

In 2016, Credit Suisse reported a net loss attributable to shareholders of CHF 2,438 million compared to CHF 2,944 million in 2015. The 2016 results included net litigation provisions of CHF 2,686 million, primarily relating to the settlement with the DOJ regarding our legacy RMBS business. Our 2015 results included the significant goodwill impairment charge. In 2016, Credit Suisse reported an adjusted income before taxes of CHF 615 million.

▸ Refer to the Appendix for a reconciliation of our adjusted results to the most directly comparable US GAAP measures.

## RESULTS

### Net revenues

We reported net revenues of CHF 5,181 million, which decreased 4% compared to 3Q16, primarily reflecting lower net revenues in Swiss Universal Bank and Global Markets, partially offset by higher net revenues in International Wealth Management and Investment Banking & Capital Markets. Net revenues in Swiss Universal Bank decreased mainly due to gains on the sale of real estate of CHF 346 million in 3Q16. The decrease in net revenues in Global Markets reflected a seasonal slowdown in client activity partially offset by improved performance in equities. The increase in net revenues in International Wealth Management was primarily due to significantly higher transaction- and performance-based revenues in both Asset Management and Private Banking and a gain on the sale of real estate of CHF 54 million. The increase in net revenues in Investment Banking & Capital Markets was primarily due to higher revenues from advisory and other fees.

Net revenues increased 23% compared to 4Q15, primarily reflecting higher net revenues in Corporate Center, Investment Banking & Capital Markets and International Wealth Management. Net revenues in Corporate Center increased, primarily driven by fair value losses from movements in own credit spreads in 4Q15, which, beginning in 1Q16, were no longer recorded in the consolidated income statement under US GAAP. Net revenues in Investment Banking & Capital Markets increased primarily driven by higher debt underwriting revenues. Net revenues in International Wealth Management increased primarily due to higher net interest income and the gain on the sale of real estate.

### Provision for credit losses

In 4Q16, there was a provision for credit losses of CHF 75 million, primarily related to a net provision for credit losses of CHF 34 million in Swiss Universal Bank and CHF 28 million in the Strategic Resolution Unit.

### Total operating expenses

We reported total operating expenses of CHF 7,009 million in 4Q16, an increase of 37% compared to 3Q16, reflecting a 96% increase in general and administrative expenses, including higher net litigation provisions of CHF 2,170 million, primarily related to the settlement with the DOJ regarding our legacy RMBS business, partially offset by a 66% decrease in restructuring expenses. We incurred CHF 49 million of restructuring expenses in 4Q16, of which CHF 30 million were expenses related to compensation and benefits.

Total operating expenses decreased 33% compared to 4Q15, primarily due to a goodwill impairment charge of CHF 3,797 million in 4Q15. Compensation and benefits decreased 15%, mainly due to lower salaries and variable compensation, and restructuring expenses decreased 86%. These movements were partially offset by a 38% increase in general and administrative expenses, mainly due to higher net litigation provisions, primarily related to the settlement with the DOJ regarding our legacy RMBS business.

### Income tax expense

Income tax expense of CHF 442 million recorded in 4Q16 mainly reflected the impact of the geographical mix of results as well as the impact of tax contingency accruals. Overall, net deferred tax assets decreased CHF 704 million to CHF 5,731 million, mainly driven by earnings and the start of operations of Credit Suisse (Schweiz) AG, partially offset by foreign exchange impacts. Deferred tax assets on net operating losses decreased CHF 758 million to CHF 2,198 million during 4Q16. The Credit Suisse effective tax rate was (23.2)% in 4Q16, compared to 83.3% in 3Q16. The 4Q16 tax rate was mostly impacted by the non-deductible civil monetary penalty relating to the final settlement with the DOJ for the legacy RMBS business.

### RMBS settlement

In January 2017, Credit Suisse reached a final settlement with the DOJ related to its legacy RMBS business – a business conducted through 2007. The settlement releases Credit Suisse from potential civil claims by the DOJ related to its securitization, underwriting, issuance and sale of RMBS. Under the terms of the settlement, Credit Suisse will pay to the DOJ a civil monetary penalty of USD 2.48 billion. In addition, Credit Suisse will provide consumer relief totaling USD 2.8 billion within five years post settlement. These consumer relief measures include affordable housing payments and loan forgiveness. The DOJ and Credit Suisse agreed to the appointment of an independent monitor to oversee the completion of the consumer relief requirements of the settlement. In 4Q16, Credit Suisse recorded a litigation provision of USD 1,990 million in the Strategic Resolution Unit in addition to its existing provisions of USD 550 million against this matter which were recorded in prior periods.

**Investor Day 2016**
At the Investor Day on December 7, 2016, we communicated our financial targets for the Group and the divisions.

Financial objectives for the Group:
- reduce our operating cost base on an adjusted basis to below CHF 17.0 billion by year-end 2018;
- increase our net cost savings to more than CHF 4.2 billion by year-end 2018;
- achieve a look-through common equity tier 1 (CET1) ratio (pre-major litigation expenses) of between 12-13% by year-end 2018 and greater than 13% (pre-Basel III reform uplift) and greater than 11% (post-Basel III reform uplift) by year-end 2019; and
- achieve a look-through CET1 leverage ratio of greater than 3.5% by year-end 2018.

Financial objectives for the divisions:
- achieve adjusted income before taxes for Asia Pacific of CHF 1.6 billion in 2018, of which we aim to achieve CHF 0.7 billion from Private Banking and wealth management connected activities;
- achieve adjusted income before taxes in International Wealth Management of CHF 1.8 billion in 2018;
- achieve adjusted income before taxes for the Swiss Universal Bank of CHF 2.3 billion in 2018;
- achieve adjusted return on regulatory capital for Global Markets of between 10-15% by year-end 2018;
- achieve adjusted return on regulatory capital for Investment Banking & Capital Markets of between 15-20% by year-end 2018; and
- reduce adjusted pre-tax loss for the Strategic Resolution Unit to approximately USD 1.4 billion by year-end 2018 and approximately USD 0.8 billion by year-end 2019 and reduce risk-weighted assets to USD 30 billion and leverage exposure to USD 40 billion by year-end 2019.

**Capital distribution proposal**
Our Board of Directors will propose to the shareholders at the Annual General Meeting on April 28, 2017 a distribution of CHF 0.70 per share out of reserves from capital contributions for the financial year 2016. The distribution will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment. The distribution will be payable in cash or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new shares of Credit Suisse Group at the option of the shareholder.

## Credit Suisse reporting structure

Credit Suisse includes the results of our six reporting segments, including the Strategic Resolution Unit, and the Corporate Center. Core Results do not include revenues and expenses from our Strategic Resolution Unit.



# Swiss Universal Bank

In 4Q16, we reported income before taxes of CHF 382 million and net revenues of CHF 1,399 million. Income before taxes was CHF 376 million lower compared to 3Q16 and CHF 18 million higher compared to 4Q15. For 2016, we reported income before taxes of CHF 2,025 million and net revenues of CHF 5,759 million.

## RESULTS SUMMARY

### 4Q16 results

In 4Q16, we reported income before taxes of CHF 382 million and net revenues of CHF 1,399 million. Compared to 3Q16, net revenues were 16% lower, mainly due to gains on the sale of real estate of CHF 346 million in 3Q16, partially offset by higher transaction-based revenues and slightly higher net interest income. Total operating expenses were 12% higher compared to 3Q16, primarily reflecting higher general and administrative expenses mainly due to higher allocated corporate function costs and higher litigation provisions.

Compared to 4Q15, net revenues were 6% lower, mainly due to gains on the sale of real estate, an extraordinary dividend from our ownership interest in SIX Group AG and a partial sale of an investment in Euroclear in 4Q15. Total operating expenses decreased 10% compared to 4Q15, reflecting lower restructuring expenses, lower compensation and benefits and lower general and administrative expenses.

Adjusted income before taxes of CHF 378 million was 12% lower compared to 3Q16 and 13% higher compared to 4Q15.

### 2016 results

In 2016, we reported income before taxes of CHF 2,025 million and net revenues of CHF 5,759 million. Compared to 2015, net revenues were stable with higher gains on the sale of real estate and increased net interest income, offset by lower transaction-based revenues and the impact of the deconsolidation of the cards issuing business in 3Q15, primarily reflected in recurring commissions and fees. Net interest income increased 5%, reflecting improved loan margins on stable average loan volumes, partially offset by slightly lower deposit margins on lower average deposit volumes. The decrease in transaction-based revenues primarily reflected lower brokerage and product issuing fees, lower fees from foreign exchange client business and lower sales and trading revenues, partially offset by increased revenues from our Swiss investment banking business. Excluding the net impact from the deconsolidation of the cards issuing business of CHF 115 million, recurring commissions and fees were stable. Provision for credit losses was CHF 79 million in 2016 on a net loan portfolio of CHF 165.7 billion. Total operating expenses decreased 6%, primarily reflecting lower expenses due to the deconsolidation of the cards issuing business and lower allocated corporate function costs, partially offset by higher professional services fees and higher contractor services fees.

Adjusted income before taxes of CHF 1,738 million was 7% higher compared to 2015.

## Divisional results

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,399** | **1,667** | **1,495** | (16) | (6) | **5,759** | **5,721** | 1 |
| **Provision for credit losses** | **34** | **30** | **43** | 13 | (21) | **79** | **138** | (43) |
| Compensation and benefits | 497 | 474 | 535 | 5 | (7) | 1,937 | 1,985 | (2) |
| General and administrative expenses | 416 | 320 | 438 | 30 | (5) | 1,375 | 1,597 | (14) |
| Commission expenses | 73 | 66 | 73 | 11 | 0 | 283 | 284 | 0 |
| Restructuring expenses | (3) | 19 | 42 | – | – | 60 | 42 | 43 |
| Total other operating expenses | 486 | 405 | 553 | 20 | (12) | 1,718 | 1,923 | (11) |
| **Total operating expenses** | **983** | **879** | **1,088** | 12 | (10) | **3,655** | **3,908** | (6) |
| **Income before taxes** | **382** | **758** | **364** | (50) | 5 | **2,025** | **1,675** | 21 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 12.2 | 24.7 | 12.3 | – | – | 16.5 | 13.8 | – |
| Cost/income ratio | 70.3 | 52.7 | 72.8 | – | – | 63.5 | 68.3 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 5,763 | 5,649 | 5,123 | 2 | 12 | 5,564 | 5,119 | 9 |
| Pre-tax return on average economic risk capital (%) [1] | 26.6 | 53.7 | 28.5 | – | – | 36.5 | 32.8 | – |
| **Number of employees and relationship managers** | | | | | | | | |
| Number of employees (full-time equivalents) | 13,140 | 13,440 | 13,400 | (2) | (2) | 13,140 | 13,400 | (2) |
| Number of relationship managers | 1,970 | 1,980 | 2,060 | (1) | (4) | 1,970 | 2,060 | (4) |

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

### Capital and leverage metrics

As of the end of 4Q16, our reported risk-weighted assets of CHF 65.7 billion were stable compared to the end of 3Q16. Leverage exposure was CHF 252.9 billion, reflecting an increase of CHF 6.6 billion compared to the end of 3Q16, driven by increased high-quality liquid assets (HQLA) and business growth.

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Private Banking | 858 | 1,160 | 963 | (26) | (11) | 3,704 | 3,696 | 0 |
| Corporate & Institutional Banking | 541 | 507 | 532 | 7 | 2 | 2,055 | 2,025 | 1 |
| **Net revenues** | **1,399** | **1,667** | **1,495** | (16) | (6) | **5,759** | **5,721** | 1 |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 745 | 724 | 753 | 3 | (1) | 2,884 | 2,757 | 5 |
| Recurring commissions and fees | 378 | 361 | 373 | 5 | 1 | 1,446 | 1,569 | (8) |
| Transaction-based revenues | 270 | 249 | 287 | 8 | (6) | 1,112 | 1,313 | (15) |
| Other revenues | 6 | 333 | 82 | (98) | (93) | 317 | 82 | 287 |
| **Net revenues** | **1,399** | **1,667** | **1,495** | (16) | (6) | **5,759** | **5,721** | 1 |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 46 | 45 | 60 | 2 | (23) | 150 | 205 | (27) |
| Releases of provisions | (12) | (15) | (17) | (20) | (29) | (71) | (67) | 6 |
| **Provision for credit losses** | **34** | **30** | **43** | 13 | (21) | **79** | **138** | (43) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 228,363 | 222,164 | 220,359 | 3 | 4 | 228,363 | 220,359 | 4 |
| Net loans | 165,685 | 166,910 | 162,717 | (1) | 2 | 165,685 | 162,717 | 2 |
| of which Private Banking | 115,277 | 115,601 | – | 0 | – | 115,277 | – | – |
| Risk-weighted assets | 65,669 | 65,571 | 60,352 | 0 | 9 | 65,669 | 60,352 | 9 |
| Leverage exposure | 252,889 | 246,254 | 238,180 | 3 | 6 | 252,889 | 238,180 | 6 |

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

## Reconciliation of adjusted results

| | | Private Banking | | | Corporate & Institutional Banking | | | **Swiss Universal Bank** | |
|---|---|---|---|---|---|---|---|---|---|
| in | **4Q16** | 3Q16 | 4Q15 | **4Q16** | 3Q16 | 4Q15 | **4Q16** | 3Q16 | 4Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **858** | **1,160** | **963** | **541** | **507** | **532** | **1,399** | **1,667** | **1,495** |
| Real estate gains | (20) | (346) | (72) | 0 | 0 | 0 | (20) | (346) | (72) |
| Gains on business sales | 0 | 0 | (10) | 0 | 0 | (13) | 0 | 0 | (23) |
| **Adjusted net revenues** | **838** | **814** | **881** | **541** | **507** | **519** | **1,379** | **1,321** | **1,400** |
| **Provision for credit losses** | **10** | **13** | **14** | **24** | **17** | **29** | **34** | **30** | **43** |
| **Total operating expenses** | **654** | **603** | **784** | **329** | **276** | **304** | **983** | **879** | **1,088** |
| Restructuring expenses | 3 | (16) | (33) | 0 | (3) | (9) | 3 | (19) | (42) |
| Major litigation provisions | 0 | 0 | (25) | (19) | 0 | 0 | (19) | 0 | (25) |
| **Adjusted total operating expenses** | **657** | **587** | **726** | **310** | **273** | **295** | **967** | **860** | **1,021** |
| **Income before taxes** | **194** | **544** | **165** | **188** | **214** | **199** | **382** | **758** | **364** |
| Total adjustments | (23) | (330) | (24) | 19 | 3 | (4) | (4) | (327) | (28) |
| **Adjusted income before taxes** | **171** | **214** | **141** | **207** | **217** | **195** | **378** | **431** | **336** |
| Adjusted return on regulatory capital (%) | – | – | – | – | – | – | 12.1 | 14.0 | 11.4 |

## Reconciliation of adjusted results (continued)

| | Private Banking | | Corporate & Institutional Banking | | **Swiss Universal Bank** | |
|---|---|---|---|---|---|---|
| in | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| **Adjusted results (CHF million)** | | | | | | |
| **Net revenues** | **3,704** | **3,696** | **2,055** | **2,025** | **5,759** | **5,721** |
| Real estate gains | (366) | (95) | 0 | 0 | (366) | (95) |
| Gains on business sales | 0 | (10) | 0 | (13) | 0 | (23) |
| **Adjusted net revenues** | **3,338** | **3,591** | **2,055** | **2,012** | **5,393** | **5,603** |
| **Provision for credit losses** | **39** | **49** | **40** | **89** | **79** | **138** |
| **Total operating expenses** | **2,471** | **2,772** | **1,184** | **1,136** | **3,655** | **3,908** |
| Restructuring expenses | (51) | (33) | (9) | (9) | (60) | (42) |
| Major litigation provisions | 0 | (25) | (19) | 0 | (19) | (25) |
| **Adjusted total operating expenses** | **2,420** | **2,714** | **1,156** | **1,127** | **3,576** | **3,841** |
| **Income before taxes** | **1,194** | **875** | **831** | **800** | **2,025** | **1,675** |
| Total adjustments | (315) | (47) | 28 | (4) | (287) | (51) |
| **Adjusted income before taxes** | **879** | **828** | **859** | **796** | **1,738** | **1,624** |
| Adjusted return on regulatory capital (%) | – | – | – | – | 14.2 | 13.4 |

Adjusted results are non-GAAP financial measures. Refer to "Adjusted results" in the Appendix for further information.

# PRIVATE BANKING

## RESULTS

In 4Q16, income before taxes of CHF 194 million was CHF 350 million lower compared to 3Q16, reflecting lower net revenues and higher total operating expenses. Compared to 4Q15, income before taxes increased 18%, reflecting lower total operating expenses, partially offset by lower net revenues. Adjusted income before taxes of CHF 171 million decreased 20% compared to 3Q16 and increased 21% compared to 4Q15.

### Net revenues

Compared to 3Q16, net revenues of CHF 858 million were 26% lower due to the gains on the sale of real estate of CHF 346 million in 3Q16 reflected in other revenues. Recurring commissions and fees of CHF 253 million increased 4%, primarily driven by higher discretionary mandate management fees, higher investment product management fees and increased revenues from wealth structuring solutions. Net interest income was slightly higher at CHF 454 million with stable loan margins on slightly higher average loan volumes and slightly higher deposit margins on stable average deposit volumes. Transaction-based revenues of CHF 131 million were 5% higher, primarily due to higher brokerage and product issuing fees. Adjusted net revenues of CHF 838 million were slightly higher compared to 3Q16.

Compared to 4Q15, net revenues decreased 11%, driven by the gains on the sale of real estate and the partial sale of an investment in Euroclear in 4Q15 reflected in other revenues. Transaction-based revenues decreased 18%, primarily due to an extraordinary dividend from our ownership interest in SIX Group AG in 4Q15. Net interest income was slightly lower with decreased deposit margins on stable average deposit volumes, partially offset by improved loan margins on slightly higher average loan volumes. Recurring commissions and fees were slightly lower, primarily reflecting lower investment product management fees partially offset by higher investment advisory fees. Adjusted net revenues decreased 5% compared to 4Q15.

### Provision for credit losses

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

In 4Q16, Private Banking recorded provision for credit losses of CHF 10 million compared to CHF 13 million in 3Q16 and CHF 14 million in 4Q15. The provision was primarily related to our consumer finance business.

## Results – Private Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **858** | **1,160** | **963** | (26) | (11) | **3,704** | **3,696** | 0 |
| **Provision for credit losses** | **10** | **13** | **14** | (23) | (29) | **39** | **49** | (20) |
| Compensation and benefits | 324 | 312 | 368 | 4 | (12) | 1,258 | 1,327 | (5) |
| General and administrative expenses | 282 | 233 | 335 | 21 | (16) | 975 | 1,221 | (20) |
| Commission expenses | 51 | 42 | 48 | 21 | 6 | 187 | 191 | (2) |
| Restructuring expenses | (3) | 16 | 33 | – | – | 51 | 33 | 55 |
| Total other operating expenses | 330 | 291 | 416 | 13 | (21) | 1,213 | 1,445 | (16) |
| **Total operating expenses** | **654** | **603** | **784** | 8 | (17) | **2,471** | **2,772** | (11) |
| **Income before taxes** | **194** | **544** | **165** | (64) | 18 | **1,194** | **875** | 36 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 76.2 | 52.0 | 81.4 | – | – | 66.7 | 75.0 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 454 | 446 | 465 | 2 | (2) | 1,801 | 1,770 | 2 |
| Recurring commissions and fees | 253 | 243 | 257 | 4 | (2) | 971 | 1,102 | (12) |
| Transaction-based revenues | 131 | 125 | 159 | 5 | (18) | 564 | 720 | (22) |
| Other revenues | 20 | 346 | 82 | (94) | (76) | 368 | 104 | 254 |
| **Net revenues** | **858** | **1,160** | **963** | (26) | (11) | **3,704** | **3,696** | 0 |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 141 | 191 | 159 | – | – | 154 | 148 | – |
| Net margin [2] | 32 | 89 | 27 | – | – | 50 | 35 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 1,490 | 1,500 | 1,570 | (1) | (5) | 1,490 | 1,570 | (5) |

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

### Total operating expenses

Compared to 3Q16, total operating expenses of CHF 654 million increased 8%, primarily reflecting higher general and administrative expenses. General and administrative expenses of CHF 282 million increased 21% primarily due to higher allocated corporate function costs and higher professional services fees. Compensation and benefits of CHF 324 million increased 4% compared to 3Q16, primarily reflecting higher discretionary compensation expenses partially offset by lower salary expenses. Adjusted total operating expenses of CHF 657 million were CHF 70 million higher compared to 3Q16.

Compared to 4Q15, total operating expenses were 17% lower, despite investments in regulatory and compliance functions, reflecting decreased general and administrative expenses, lower compensation and benefits and lower restructuring expenses. General and administrative expenses decreased 16%, primarily reflecting decreased allocated corporate function costs and lower litigation provisions. Compensation and benefits were 12% lower, driven by decreased salary expenses mainly due to a recalibration of Swiss holiday accruals in 4Q15. Adjusted total operating expenses were 10% lower compared to 4Q15.

### MARGINS

#### Gross margin

Our gross margin was 141 basis points in 4Q16, 50 basis points lower compared to 3Q16, mainly reflecting the gains on the sale of real estate in 3Q16 on stable average assets under management. Compared to 4Q15, our gross margin was 18 basis points lower, primarily due to the gains on the sale of real estate in 4Q15 and lower transaction-based revenues on stable average assets under management. On the basis of adjusted net revenues, our gross margin was 138 basis points in 4Q16, four basis points higher compared to 3Q16 and seven basis points lower compared to 4Q15.

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

#### Net margin

Our net margin was 32 basis points in 4Q16, 57 basis points lower compared to 3Q16, mainly due to the gains on the sale of real estate in 3Q16 and higher total operating expenses. Compared to 4Q15, our net margin was five basis points higher, primarily due to lower total operating expenses, partially offset by the gains on the sale of real estate in 4Q15 and lower transaction-based revenues. On the basis of adjusted income before taxes, our net margin was 28 basis points in 4Q16, seven basis points lower compared to 3Q16 and five basis points higher compared to 4Q15.

### ASSETS UNDER MANAGEMENT

As of the end of 4Q16, assets under management of CHF 242.9 billion were CHF 1.6 billion lower compared to the end of 3Q16, mainly driven by net asset outflows, partially offset by favorable foreign exchange-related and market movements. Net asset outflows of CHF 3.5 billion reflected terminated relationships with certain external asset managers, the regularization of client assets of CHF 0.8 billion and seasonal effects.

As of the end of 2016, assets under management of CHF 242.9 billion were stable compared to the end of 2015. Net asset outflows of CHF 1.7 billion mainly reflected terminated relationships with certain external asset managers, and the regularization of client assets of CHF 2.0 billion.

## Assets under management – Private Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 242.9 | 244.5 | 241.0 | (0.7) | 0.8 | 242.9 | 241.0 | 0.8 |
| Average assets under management | 242.9 | 243.2 | 242.8 | (0.1) | 0.0 | 241.2 | 249.0 | (3.1) |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 41.8 | 41.6 | 40.5 | 0.5 | 3.2 | 41.8 | 40.5 | 3.2 |
| EUR | 36.3 | 36.8 | 31.5 | (1.4) | 15.2 | 36.3 | 31.5 | 15.2 |
| CHF | 153.3 | 154.6 | 153.0 | (0.8) | 0.2 | 153.3 | 153.0 | 0.2 |
| Other | 11.5 | 11.5 | 16.0 | 0.0 | (28.1) | 11.5 | 16.0 | (28.1) |
| **Assets under management** | **242.9** | **244.5** | **241.0** | (0.7) | 0.8 | **242.9** | **241.0** | 0.8 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | (3.5) | 0.2 | (2.9) | – | – | (1.7) | 3.2 | – |
| Other effects | 1.9 | 2.9 | 6.8 | – | – | 3.6 | (20.8) | – |
| of which market movements | 0.6 | 3.7 | 4.9 | – | – | 3.0 | (2.6) | – |
| of which foreign exchange | 1.7 | (0.1) | 0.3 | – | – | 0.4 | (4.0) | – |
| of which other | (0.4) | (0.7) | 1.6 | – | – | 0.2 | (14.2) | – |
| **Growth in assets under management** | **(1.6)** | **3.1** | **3.9** | – | – | **1.9** | **(17.6)** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | (5.7) | 0.3 | (4.9) | – | – | (0.7) | 1.2 | – |
| Other effects | 3.1 | 4.9 | 11.5 | – | – | 1.5 | (8.0) | – |
| **Growth in assets under management (annualized)** | **(2.6)** | **5.2** | **6.6** | – | – | **0.8** | **(6.8)** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | (0.7) | (0.5) | 1.2 | – | – | – | – | – |
| Other effects | 1.5 | 3.6 | (8.0) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **0.8** | **3.1** | **(6.8)** | – | – | – | – | – |

# CORPORATE & INSTITUTIONAL BANKING

### RESULTS

In 4Q16, income before taxes of CHF 188 million decreased 12% compared to 3Q16, driven by higher total operating expenses, partially offset by higher net revenues. Compared to 4Q15, income before taxes decreased 6%, reflecting higher total operating expenses, partially offset by slightly higher net revenues. Adjusted income before taxes of CHF 207 million decreased 5% compared to 3Q16 and increased 6% compared to 4Q15.

#### Net revenues

Compared to 3Q16, net revenues of CHF 541 million increased 7%, mainly driven by higher transaction-based revenues and higher net interest income. Transaction-based revenues of CHF 139 million were 12% higher, primarily reflecting increased revenues from our Swiss investment banking business and fees from foreign exchange client business. Net interest income of CHF 291 million increased 5%, with stable loan margins on slightly higher average loan volumes, partially offset by lower deposit margins on slightly lower average deposit volumes. Recurring commissions and fees of CHF 125 million were 6% higher compared to 3Q16, primarily due to increased banking services and investment product management fees.

Compared to 4Q15, net revenues increased slightly, with higher transaction-based revenues and higher recurring commissions and fees, partially offset by lower other revenues. Transaction-based revenues were 9% higher due to increased revenues from our Swiss investment banking business, partly offset by lower fees from foreign exchange client business. Recurring commissions and fees increased 8% with higher banking services fees and higher fees from lending activities, partly offset by lower investment advisory fees. The decrease in other revenues was driven by the partial sale of an investment in Euroclear in 4Q15.

## Results – Corporate & Institutional Banking

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **541** | **507** | **532** | 7 | 2 | **2,055** | **2,025** | 1 |
| **Provision for credit losses** | **24** | **17** | **29** | 41 | (17) | **40** | **89** | (55) |
| Compensation and benefits | 173 | 162 | 167 | 7 | 4 | 679 | 658 | 3 |
| General and administrative expenses | 134 | 87 | 103 | 54 | 30 | 400 | 376 | 6 |
| Commission expenses | 22 | 24 | 25 | (8) | (12) | 96 | 93 | 3 |
| Restructuring expenses | 0 | 3 | 9 | (100) | (100) | 9 | 9 | 0 |
| Total other operating expenses | 156 | 114 | 137 | 37 | 14 | 505 | 478 | 6 |
| **Total operating expenses** | **329** | **276** | **304** | 19 | 8 | **1,184** | **1,136** | 4 |
| **Income before taxes** | **188** | **214** | **199** | (12) | (6) | **831** | **800** | 4 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 60.8 | 54.4 | 57.1 | – | – | 57.6 | 56.1 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 291 | 278 | 288 | 5 | 1 | 1,083 | 987 | 10 |
| Recurring commissions and fees | 125 | 118 | 116 | 6 | 8 | 475 | 467 | 2 |
| Transaction-based revenues | 139 | 124 | 128 | 12 | 9 | 548 | 593 | (8) |
| Other revenues | (14) | (13) | 0 | 8 | – | (51) | (22) | 132 |
| **Net revenues** | **541** | **507** | **532** | 7 | 2 | **2,055** | **2,025** | 1 |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 480 | 480 | 490 | 0 | (2) | 480 | 490 | (2) |

### Provision for credit losses

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

In 4Q16, Corporate & Institutional Banking recorded provision for credit losses of CHF 24 million compared to CHF 17 million in 3Q16 and CHF 29 million in 4Q15. The increase compared to 3Q16 reflected several individual cases.

### Total operating expenses

Compared to 3Q16, total operating expenses of CHF 329 million were 19% higher, primarily reflecting higher allocated corporate function costs and litigation provisions. General and administrative expenses of CHF 134 million increased 54% due to higher litigation provisions, allocated corporate function costs and professional services fees. Compensation and benefits of CHF 173 million increased 7%, driven by higher allocated corporate function costs and higher social security costs, partially offset by lower discretionary compensation expenses. Adjusted total operating expenses of CHF 310 million were 14% higher compared to 3Q16.

Compared to 4Q15, total operating expenses increased 8%, with 30% higher general and administrative expenses driven by higher litigation provisions and higher professional services fees, partially offset by lower allocated corporate function costs. Compensation and benefits increased 4% compared to 4Q15 driven by higher discretionary compensation expenses and social security costs, partially offset by lower salary expenses due to the holiday accrual recalibration in 4Q15. Restructuring expenses were CHF 9 million lower compared to 4Q15. Adjusted total operating expenses were 5% higher compared to 4Q15.

### ASSETS UNDER MANAGEMENT

As of the end of 4Q16, assets under management of CHF 288.6 billion were CHF 4.0 billion higher compared to the end of 3Q16, driven by net new assets of CHF 2.5 billion and favorable foreign exchange-related movements.

As of the end of 2016, assets under management of CHF 288.6 billion were CHF 12.8 billion higher compared to the end of 2015, driven by favorable market movements and net new assets of CHF 4.3 billion.

# International Wealth Management

In 4Q16, we reported income before taxes of CHF 331 million and net revenues of CHF 1,299 million. Income before taxes was CHF 86 million higher compared to 3Q16 and CHF 355 million higher compared to 4Q15. For 2016, we reported income before taxes of CHF 1,121 million and net revenues of CHF 4,698 million.

## RESULTS SUMMARY

### 4Q16 results

In 4Q16, we reported income before taxes of CHF 331 million and net revenues of CHF 1,299 million. Compared to 3Q16, net revenues increased 20% due to significantly higher transaction- and performance-based revenues in both Asset Management and Private Banking, a gain on the sale of real estate of CHF 54 million reflected in other revenues in Private Banking, higher net interest income and higher recurring commissions and fees. Provision for credit losses increased to CHF 6 million in 4Q16 compared to zero in 3Q16. Total operating expenses were 15% higher compared to 3Q16, driven by higher general and administrative expenses and higher compensation and benefits.

Net revenues were 11% higher compared to 4Q15, reflecting higher net interest income and the gain on the sale of real estate. Provision for credit losses was CHF 6 million compared to a net release of CHF 7 million in 4Q15. Total operating expenses were 20% lower with significantly lower general and administrative expenses and significantly lower restructuring expenses partially offset by higher compensation and benefits.

Adjusted income before taxes of CHF 300 million increased 24% and 31% compared to 3Q16 and 4Q15, respectively.

### 2016 results

In 2016, we reported income before taxes of CHF 1,121 million and net revenues of CHF 4,698 million. Compared to 2015, net revenues increased slightly driven by significantly higher net interest income, investment-related gains in 2016 compared to losses in 2015 and the gain on the sale of real estate in 2016. These increases were partially offset by lower transaction- and performance-based revenues and slightly lower recurring commissions and fees. Higher net interest income reflected higher loan and deposit margins on higher average loan and deposit volumes. The decrease in transaction- and performance-based revenues mainly reflected lower sales and trading revenues, lower equity participations income, lower brokerage and product issuing fees and lower fees from foreign exchange client business, partially offset by higher carried interest reflecting a residual gain from a private equity interest. Recurring commissions and fees were slightly lower, primarily driven by lower security account and custody services fees, lower discretionary mandate management fees and lower banking services fees, partially offset by higher asset management fees. Provision for credit losses was CHF 20 million on a net loan portfolio of CHF 45.0 billion. The decrease in total operating expenses was mainly driven by lower litigation provisions and lower deferred compensation expenses from prior-year awards, partially offset by higher discretionary compensation expenses and an increase in professional services fees.

Adjusted income before taxes of CHF 1,109 million increased 9% compared to 2015.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,299** | **1,081** | **1,173** | 20 | 11 | **4,698** | **4,552** | 3 |
| **Provision for credit losses** | **6** | **0** | **(7)** | – | – | **20** | **5** | 300 |
| Compensation and benefits | 565 | 513 | 540 | 10 | 5 | 2,119 | 2,115 | 0 |
| General and administrative expenses | 318 | 256 | 568 | 24 | (44) | 1,145 | 1,429 | (20) |
| Commission expenses | 63 | 52 | 60 | 21 | 5 | 239 | 244 | (2) |
| Restructuring expenses | 16 | 15 | 36 | 7 | (56) | 54 | 36 | 50 |
| Total other operating expenses | 397 | 323 | 664 | 23 | (40) | 1,438 | 1,709 | (16) |
| **Total operating expenses** | **962** | **836** | **1,204** | 15 | (20) | **3,557** | **3,824** | (7) |
| **Income/(loss) before taxes** | **331** | **245** | **(24)** | 35 | – | **1,121** | **723** | 55 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 27.0 | 20.5 | (1.9) | – | – | 23.3 | 15.4 | – |
| Cost/income ratio | 74.1 | 77.3 | 102.6 | – | – | 75.7 | 84.0 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 3,976 | 3,958 | 3,364 | 0 | 18 | 3,785 | 3,288 | 15 |
| Pre-tax return on average economic risk capital (%) [1] | 33.2 | 25.8 | (2.0) | – | – | 30.4 | 22.8 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 10,300 | 10,350 | 9,750 | 0 | 6 | 10,300 | 9,750 | 6 |

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

### Capital and leverage metrics

As of the end of 4Q16, we reported risk-weighted assets of CHF 35.3 billion, an increase of CHF 1.8 billion compared to the end of 3Q16, mainly driven by business growth and foreign exchange-related movements. Leverage exposure was CHF 94.1 billion, reflecting an increase of CHF 5.2 billion compared to the end of 3Q16, driven by increased HQLA balances associated with funding requirements and foreign exchange-related movements.

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Private Banking | 918 | 789 | 808 | 16 | 14 | 3,371 | 3,224 | 5 |
| Asset Management | 381 | 292 | 365 | 30 | 4 | 1,327 | 1,328 | 0 |
| **Net revenues** | **1,299** | **1,081** | **1,173** | 20 | 11 | **4,698** | **4,552** | 3 |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 353 | 326 | 275 | 8 | 28 | 1,308 | 1,006 | 30 |
| Recurring commissions and fees | 489 | 471 | 494 | 4 | (1) | 1,914 | 1,965 | (3) |
| Transaction- and performance-based revenues | 402 | 291 | 399 | 38 | 1 | 1,426 | 1,607 | (11) |
| Other revenues | 55 | (7) | 5 | – | – | 50 | (26) | – |
| **Net revenues** | **1,299** | **1,081** | **1,173** | 20 | 11 | **4,698** | **4,552** | 3 |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 20 | 14 | 17 | 43 | 18 | 55 | 37 | 49 |
| Releases of provisions | (14) | (14) | (24) | 0 | (42) | (35) | (32) | 9 |
| **Provision for credit losses** | **6** | **0** | **(7)** | – | – | **20** | **5** | 300 |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 91,083 | 86,457 | 96,085 | 5 | (5) | 91,083 | 96,085 | (5) |
| Net loans | 44,965 | 42,942 | 40,084 | 5 | 12 | 44,965 | 40,084 | 12 |
| of which Private Banking | 44,890 | 42,876 | – | 5 | – | 44,890 | – | – |
| Risk-weighted assets | 35,252 | 33,457 | 32,880 | 5 | 7 | 35,252 | 32,880 | 7 |
| Leverage exposure | 94,092 | 88,899 | 101,628 | 6 | (7) | 94,092 | 101,628 | (7) |

## Reconciliation of adjusted results

| | | Private Banking | | | Asset Management | | **International Wealth Management** | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **4Q16** | 3Q16 | 4Q15 | **4Q16** | 3Q16 | 4Q15 | **4Q16** | 3Q16 | 4Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **918** | **789** | **808** | **381** | **292** | **365** | **1,299** | **1,081** | **1,173** |
| Real estate gains | (54) | 0 | 0 | 0 | 0 | 0 | (54) | 0 | 0 |
| Gains on business sales | 0 | 0 | (11) | 0 | 0 | 0 | 0 | 0 | (11) |
| **Adjusted net revenues** | **864** | **789** | **797** | **381** | **292** | **365** | **1,245** | **1,081** | **1,162** |
| **Provision for credit losses** | **6** | **0** | **(7)** | **0** | **0** | **0** | **6** | **0** | **(7)** |
| **Total operating expenses** | **684** | **593** | **874** | **278** | **243** | **330** | **962** | **836** | **1,204** |
| Restructuring expenses | (11) | (13) | (32) | (5) | (2) | (4) | (16) | (15) | (36) |
| Major litigation provisions | (7) | 19 | (228) | 0 | 0 | 0 | (7) | 19 | (228) |
| **Adjusted total operating expenses** | **666** | **599** | **614** | **273** | **241** | **326** | **939** | **840** | **940** |
| **Income/(loss) before taxes** | **228** | **196** | **(59)** | **103** | **49** | **35** | **331** | **245** | **(24)** |
| Total adjustments | (36) | (6) | 249 | 5 | 2 | 4 | (31) | (4) | 253 |
| **Adjusted income before taxes** | **192** | **190** | **190** | **108** | **51** | **39** | **300** | **241** | **229** |
| Adjusted return on regulatory capital (%) | – | – | – | – | – | – | 24.4 | 20.1 | 18.8 |

## Reconciliation of adjusted results (continued)

| | Private Banking | | Asset Management | | **International Wealth Management** | |
|---|---|---|---|---|---|---|
| in | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| **Adjusted results (CHF million)** | | | | | | |
| **Net revenues** | **3,371** | **3,224** | **1,327** | **1,328** | **4,698** | **4,552** |
| Real estate gains | (54) | 0 | 0 | 0 | (54) | 0 |
| Gains on business sales | 0 | (11) | 0 | 0 | 0 | (11) |
| **Adjusted net revenues** | **3,317** | **3,213** | **1,327** | **1,328** | **4,644** | **4,541** |
| **Provision for credit losses** | **20** | **5** | **0** | **0** | **20** | **5** |
| **Total operating expenses** | **2,510** | **2,678** | **1,047** | **1,146** | **3,557** | **3,824** |
| Restructuring expenses | (47) | (32) | (7) | (4) | (54) | (36) |
| Major litigation provisions | 12 | (268) | 0 | 0 | 12 | (268) |
| **Adjusted total operating expenses** | **2,475** | **2,378** | **1,040** | **1,142** | **3,515** | **3,520** |
| **Income before taxes** | **841** | **541** | **280** | **182** | **1,121** | **723** |
| Total adjustments | (19) | 289 | 7 | 4 | (12) | 293 |
| **Adjusted income before taxes** | **822** | **830** | **287** | **186** | **1,109** | **1,016** |
| Adjusted return on regulatory capital (%) | – | – | – | – | 23.1 | 21.7 |

Adjusted results are non-GAAP financial measures. Refer to "Adjusted results" in the Appendix for further information.

# PRIVATE BANKING

## RESULTS

In 4Q16, income before taxes of CHF 228 million increased 16% compared to 3Q16 reflecting higher net revenues, partially offset by higher total operating expenses. Compared to 4Q15, income before taxes increased CHF 287 million mainly due to lower total operating expenses and higher net revenues. Adjusted income before taxes of CHF 192 million was stable compared to 3Q16 and 4Q15.

### Net revenues

Compared to 3Q16, net revenues of CHF 918 million were 16% higher, with an increase in other revenues, higher transaction- and performance-based revenues, higher net interest income and higher recurring commissions and fees. Other revenues increased CHF 54 million, reflecting the gain on the sale of real estate. Transaction- and performance-based revenues of CHF 235 million increased 19%, driven by higher brokerage and product issuing fees, higher performance fees, higher corporate advisory fees related to integrated solutions and higher fees from foreign exchange client business. Net interest income of CHF 353 million increased 8%, reflecting higher loan margins on higher average loan volumes and higher deposit margins on slightly higher average deposit volumes. Recurring commissions and fees increased 4% to CHF 277 million with higher investment product management fees partially offset by lower discretionary mandate management fees.

Compared to 4Q15, net revenues increased 14%, mainly driven by higher net interest income and higher other revenues. Net interest income increased 28%, primarily reflecting higher loan and deposit margins on higher average loan and deposit volumes. Other revenues increased due to the gain on the sale of real estate. Transaction- and performance-based revenues decreased slightly, mainly driven by the absence of equity participations income as 4Q15 included an extraordinary dividend from SIX Group of CHF 23 million, partially offset by an increase in brokerage and product issuing fees. Recurring commissions and fees were slightly lower with lower discretionary mandate management fees.

Adjusted net revenues of CHF 864 million increased 10% and 8% compared to 3Q16 and 4Q15, respectively.

## Results – Private Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **918** | **789** | **808** | 16 | 14 | **3,371** | **3,224** | 5 |
| **Provision for credit losses** | **6** | **0** | **(7)** | – | – | **20** | **5** | 300 |
| Compensation and benefits | 382 | 369 | 341 | 4 | 12 | 1,463 | 1,413 | 4 |
| General and administrative expenses | 242 | 173 | 458 | 40 | (47) | 827 | 1,053 | (21) |
| Commission expenses | 49 | 38 | 43 | 29 | 14 | 173 | 180 | (4) |
| Restructuring expenses | 11 | 13 | 32 | (15) | (66) | 47 | 32 | 47 |
| Total other operating expenses | 302 | 224 | 533 | 35 | (43) | 1,047 | 1,265 | (17) |
| **Total operating expenses** | **684** | **593** | **874** | 15 | (22) | **2,510** | **2,678** | (6) |
| **Income/(loss) before taxes** | **228** | **196** | **(59)** | 16 | – | **841** | **541** | 55 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 74.5 | 75.2 | 108.2 | – | – | 74.5 | 83.1 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 353 | 326 | 275 | 8 | 28 | 1,308 | 1,006 | 30 |
| Recurring commissions and fees | 277 | 267 | 283 | 4 | (2) | 1,093 | 1,161 | (6) |
| Transaction- and performance-based revenues | 235 | 197 | 240 | 19 | (2) | 922 | 1,049 | (12) |
| Other revenues | 53 | (1) | 10 | – | 430 | 48 | 8 | 500 |
| **Net revenues** | **918** | **789** | **808** | 16 | 14 | **3,371** | **3,224** | 5 |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 116 | 104 | 110 | – | – | 112 | 107 | – |
| Net margin [2] | 29 | 26 | (8) | – | – | 28 | 18 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 1,140 | 1,160 | 1,180 | (2) | (3) | 1,140 | 1,180 | (3) |

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

[1] Net revenues divided by average assets under management.

[2] Income before taxes divided by average assets under management.

### Provision for credit losses

In 4Q16, provision for credit losses was CHF 6 million, compared to provision for credit losses of zero in 3Q16 and a net release of provision for credit losses of CHF 7 million in 4Q15.

### Total operating expenses

Compared to 3Q16, total operating expenses of CHF 684 million increased 15% due to higher general and administrative expenses and higher compensation and benefits. General and administrative expenses of CHF 242 million increased 40%, mainly reflecting litigation provisions in 4Q16, compared to a provision release in 3Q16, and higher professional services fees. Compensation and benefits of CHF 382 million increased 4%, mainly driven by higher discretionary compensation expenses and slightly higher salary expenses. Restructuring expenses of CHF 11 million were lower compared to 3Q16. Adjusted total operating expenses of CHF 666 million increased 11% compared to 3Q16.

Compared to 4Q15, total operating expenses decreased 22%, with lower general and administrative expenses and lower restructuring expenses, partially offset by an increase in compensation and benefits. General and administrative expenses decreased 47%, driven by significantly lower litigation provisions, partially offset by higher professional services fees. Compensation and benefits increased 12%, driven by higher discretionary compensation expenses, partially offset by lower salary expenses mainly due to the holiday accrual recalibration in 4Q15. Adjusted total operating expenses increased 8% compared to 4Q15.

## MARGINS

### Gross margin

Our gross margin was 116 basis points in 4Q16, an increase of twelve basis points compared to 3Q16, mainly reflecting higher other revenues, higher transaction- and performance-based revenues and higher net interest income, partially offset by a 3.9% increase in average assets under management. Our gross margin increased six basis points compared to 4Q15, mainly reflecting an increase in net interest income and other revenues, partially offset by a 7.2% increase in average assets under management. On the basis of adjusted net revenues, our gross margin was 109 basis points in 4Q16, five basis points higher compared to 3Q16 and one basis point higher compared to 4Q15.

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

### Net margin

Our net margin was 29 basis points in 4Q16, an increase of three basis points compared to 3Q16, mainly reflecting higher net revenues, partially offset by higher total operating expenses. The significant improvement in our net margin compared to 4Q15 mainly reflected lower total operating expenses due to the litigation provisions in 4Q15 and higher net revenues. On the basis of adjusted income before taxes, our net margin was 24 basis points in 4Q16, one basis point lower compared to 3Q16 and two basis points lower compared to 4Q15 reflecting higher average assets under management.

## ASSETS UNDER MANAGEMENT

As of the end of 4Q16, assets under management of CHF 323.2 billion were CHF 11.8 billion higher compared to the end of 3Q16, primarily reflecting favorable foreign exchange-related and market movements. Net new assets of CHF 0.4 billion reflected continued inflows from the Middle East and Europe, partially offset by outflows in connection with the regularization of client assets of CHF 2.2 billion, mostly in Latin America. Other effects included outflows of CHF 1.1 billion relating to certain client accounts with a US nexus which were closed or are in the process of being closed due to the Group's strategic decision to transition away from this market.

As of the end of 2016, assets under management of CHF 323.2 billion were CHF 33.6 billion higher compared to the end of 2015, reflecting net new assets of CHF 15.6 billion and favorable market and foreign exchange-related movements. The net new assets reflected solid inflows from emerging markets and Europe, partially offset by outflows in connection with the regularization of client assets of CHF 5.7 billion.

## Assets under management – Private Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 323.2 | 311.4 | 289.6 | 3.8 | 11.6 | 323.2 | 289.6 | 11.6 |
| Average assets under management | 315.9 | 304.0 | 294.8 | 3.9 | 7.2 | 300.3 | 301.3 | (0.3) |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 149.0 | 140.1 | 137.6 | 6.4 | 8.3 | 149.0 | 137.6 | 8.3 |
| EUR | 93.2 | 92.7 | 92.7 | 0.5 | 0.5 | 93.2 | 92.7 | 0.5 |
| CHF | 21.0 | 20.7 | 22.4 | 1.4 | (6.2) | 21.0 | 22.4 | (6.2) |
| Other | 60.0 | 57.9 | 36.9 | 3.6 | 62.6 | 60.0 | 36.9 | 62.6 |
| **Assets under management** | **323.2** | **311.4** | **289.6** | 3.8 | 11.6 | **323.2** | **289.6** | 11.6 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 0.4 | 4.4 | (4.2) | – | – | 15.6 | (3.0) | – |
| Other effects | 11.4 | 8.4 | 7.3 | – | – | 18.0 | (31.1) | – |
| of which market movements | 3.7 | 8.5 | 6.9 | – | – | 10.1 | 8.3 | – |
| of which currency | 7.7 | (1.2) | 1.2 | – | – | 7.8 | (20.5) | – |
| of which other | 0.0 | 1.1 | (0.8) | – | – | 0.1 | (18.9) | – |
| **Growth in assets under management** | **11.8** | **12.8** | **3.1** | – | – | **33.6** | **(34.1)** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 0.5 | 5.8 | (5.9) | – | – | 5.4 | (0.9) | – |
| Other effects | 14.7 | 11.3 | 10.2 | – | – | 6.2 | (9.6) | – |
| **Growth in assets under management (annualized)** | **15.2** | **17.1** | **4.3** | – | – | **11.6** | **(10.5)** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 5.4 | 3.8 | (0.9) | – | – | – | – | – |
| Other effects | 6.2 | 4.9 | (9.6) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **11.6** | **8.7** | **(10.5)** | – | – | – | – | – |

## ASSET MANAGEMENT

### Results – Asset Management

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **381** | **292** | **365** | 30 | 4 | **1,327** | **1,328** | 0 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| Compensation and benefits | 183 | 144 | 199 | 27 | (8) | 656 | 702 | (7) |
| General and administrative expenses | 76 | 83 | 110 | (8) | (31) | 318 | 376 | (15) |
| Commission expenses | 14 | 14 | 17 | 0 | (18) | 66 | 64 | 3 |
| Restructuring expenses | 5 | 2 | 4 | 150 | 25 | 7 | 4 | 75 |
| Total other operating expenses | 95 | 99 | 131 | (4) | (27) | 391 | 444 | (12) |
| **Total operating expenses** | **278** | **243** | **330** | 14 | (16) | **1,047** | **1,146** | (9) |
| **Income before taxes** | **103** | **49** | **35** | 110 | 194 | **280** | **182** | 54 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 73.0 | 83.2 | 90.4 | – | – | 78.9 | 86.3 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Management fees | 228 | 218 | 225 | 5 | 1 | 891 | 873 | 2 |
| Performance and placement revenues | 108 | 41 | 56 | 163 | 93 | 208 | 164 | 27 |
| Investment and partnership income | 45 | 33 | 84 | 36 | (46) | 228 | 291 | (22) |
| **Net revenues** | **381** | **292** | **365** | 30 | 4 | **1,327** | **1,328** | 0 |
| of which recurring commissions and fees | 212 | 204 | 211 | 4 | 0 | 821 | 804 | 2 |
| of which transaction- and performance-based revenues | 167 | 94 | 159 | 78 | 5 | 504 | 558 | (10) |
| of which other revenues | 2 | (6) | (5) | – | – | 2 | (34) | – |

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

### RESULTS

In 4Q16, income before taxes of CHF 103 million increased CHF 54 million compared to 3Q16, driven by higher net revenues, partially offset by higher total operating expenses. Income before taxes increased CHF 68 million compared to 4Q15, reflecting a decrease in total operating expenses and an increase in net revenues. Adjusted income before taxes of CHF 108 million increased CHF 57 million and CHF 69 million compared to 3Q15 and 4Q15, respectively.

#### Net revenues

Compared to 3Q16, net revenues of CHF 381 million increased 30%, mainly driven by higher performance and placement revenues and higher investment and partnership income. Performance and placement revenues increased CHF 67 million to CHF 108 million, primarily driven by year-end performance fees and higher placement fees. Investment and partnership income of CHF 45 million increased 36%, mainly due to annual performance revenues from single manager hedge funds and higher income from the real estate sector. Management fees of CHF 228 million increased 5%.

Compared to 4Q15, net revenues were 4% higher, primarily reflecting an increase in performance and placement revenues, partially offset by significantly lower investment and partnership income. Performance and placement revenues increased CHF 52 million, mainly driven by investment-related gains and higher performance fees. Investment and partnership income decreased 46%, mainly due to weaker results from single manager hedge funds. Management fees were stable.

#### Total operating expenses

Compared to 3Q16, total operating expenses of CHF 278 million increased 14%, mainly reflecting higher compensation and benefits. Compensation and benefits of CHF 183 million increased 27%, reflecting higher discretionary compensation expenses, higher deferred compensation expenses from prior-year awards and higher salary expenses. General and administrative expenses of CHF 76 million decreased 8%.

Compared to 4Q15, total operating expenses decreased 16%, reflecting lower general and administrative expenses and lower compensation and benefits. General and administrative expenses were CHF 34 million lower, mainly due to lower allocated corporate function costs. Compensation and benefits were CHF 16 million lower, mainly reflecting lower discretionary compensation expenses.

## ASSETS UNDER MANAGEMENT

As of the end of 4Q16, assets under management of CHF 321.6 billion were CHF 2.7 billion lower compared to the end of 3Q16, reflecting net asset outflows of CHF 4.4 billion, partially offset by favorable foreign exchange-related and market movements. Net asset outflows primarily reflected money market outflows from an emerging market joint venture.

As of the end of 2016, assets under management of CHF 321.6 billion were stable compared to the end of 2015, reflecting favorable market movements, net new assets of CHF 5.6 billion and favorable foreign exchange-related movements, offset by structural effects, mainly from an adjustment of assets under management reported for multi-asset class solutions in 1Q16. Net new assets reflected inflows from an emerging market joint venture and from a new product launch, partially offset by an outflow from a single mandate.

### Assets under management – Asset Management

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Traditional investments | 159.9 | 163.4 | 172.2 | (2.1) | (7.1) | 159.9 | 172.2 | (7.1) |
| Alternative investments | 121.3 | 117.7 | 110.4 | 3.1 | 9.9 | 121.3 | 110.4 | 9.9 |
| Investments and partnerships | 40.4 | 43.2 | 38.7 | (6.5) | 4.4 | 40.4 | 38.7 | 4.4 |
| **Assets under management** | **321.6** | **324.3** | **321.3** | (0.8) | 0.1 | **321.6** | **321.3** | 0.1 |
| Average assets under management | 325.0 | 318.6 | 321.5 | 2.0 | 1.1 | 317.5 | 312.4 | 1.6 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 95.9 | 90.2 | 88.1 | 6.3 | 8.9 | 95.9 | 88.1 | 8.9 |
| EUR | 36.6 | 36.8 | 42.1 | (0.5) | (13.1) | 36.6 | 42.1 | (13.1) |
| CHF | 140.7 | 145.9 | 148.9 | (3.6) | (5.5) | 140.7 | 148.9 | (5.5) |
| Other | 48.4 | 51.4 | 42.2 | (5.8) | 14.7 | 48.4 | 42.2 | 14.7 |
| **Assets under management** | **321.6** | **324.3** | **321.3** | (0.8) | 0.1 | **321.6** | **321.3** | 0.1 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets [1] | (4.4) | 5.0 | 3.6 | – | – | 5.6 | 26.5 | – |
| Other effects | 1.7 | 4.4 | 3.1 | – | – | (5.3) | (10.4) | – |
| of which market movements | 1.4 | 5.0 | 5.1 | – | – | 7.6 | 0.7 | – |
| of which foreign exchange | 5.0 | (0.8) | 0.7 | – | – | 3.9 | (8.0) | – |
| of which other | (4.7) | 0.2 | (2.7) | – | – | (16.8) | (3.1) | – |
| **Growth in assets under management** | **(2.7)** | **9.4** | **6.7** | – | – | **0.3** | **16.1** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | (5.4) | 6.4 | 4.6 | – | – | 1.7 | 8.7 | – |
| Other effects | 2.1 | 5.5 | 3.9 | – | – | (1.6) | (3.4) | – |
| **Growth in assets under management** | **(3.3)** | **11.9** | **8.5** | – | – | **0.1** | **5.3** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 1.7 | 4.3 | 8.7 | – | – | – | – | – |
| Other effects | (1.6) | (1.2) | (3.4) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **0.1** | **3.1** | **5.3** | – | – | – | – | – |

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

# Asia Pacific

In 4Q16, we reported income before taxes of CHF 103 million and net revenues of CHF 862 million. Income before taxes decreased 32% compared to 3Q16 and increased CHF 720 million compared to a loss before taxes of CHF 617 million reported in 4Q15. For 2016, we reported income before taxes of CHF 725 million and net revenues of CHF 3,597 million.

## RESULTS SUMMARY

### 4Q16 results

In 4Q16, we reported income before taxes of CHF 103 million and net revenues of CHF 862 million. Compared to 3Q16, net revenues decreased 6%, mainly due to lower fixed income sales and trading revenues, partially offset by higher revenues from the ultra-high-net-worth individual and high-net-worth individual client business in Private Banking. Provision for credit losses was CHF 11 million in 4Q16, compared to a provision of CHF 34 million in 3Q16. Total operating expenses of CHF 748 million increased slightly, primarily due to higher compensation and benefits in Private Banking and Investment Banking and higher commission expenses in Investment Banking.

Compared to 4Q15, net revenues increased 4%, driven by higher revenues from Private Banking and underwriting and advisory, partially offset by lower fixed income and equity sales and trading revenues, reflecting subdued market conditions in 4Q16. Total operating expenses decreased 48%, mainly reflecting the absence of the goodwill impairment charge of CHF 756 million in 4Q15, partially offset by higher compensation and benefits, reflecting increases in discretionary compensation and salary expenses driven by growth-related higher headcount.

Adjusted income before taxes of CHF 122 million decreased 30% compared to 3Q16 and 18% compared to 4Q15.

### 2016 results

In 2016, we reported income before taxes of CHF 725 million and net revenues of CHF 3,597 million. Compared to 2015, income before taxes increased 92%, mainly due to lower total operating expenses, primarily reflecting the absence of the goodwill impairment charge of CHF 756 million in Investment Banking in 4Q15, partially offset by lower net revenues, particularly in equity sales and trading. Lower revenues in equity sales and trading were primarily driven by decreased client activity, particularly in Greater China. Private Banking revenues were higher, primarily reflecting increases in net interest income. Underwriting and advisory revenues improved significantly compared to 2015, with strong client activity in advisory, equity and debt underwriting. Compared to 2015, total operating expenses of CHF 2,846 million decreased 17%, mainly reflecting the absence of the goodwill impairment charge in 2015, partially offset by increased compensation and benefits driven by growth-related higher headcount, higher restructuring expenses and higher general and administrative expenses. Adjusted income before taxes of CHF 778 million decreased 32% compared to 2015.

## Divisional results

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **862** | **917** | **826** | (6) | 4 | **3,597** | **3,839** | (6) |
| **Provision for credit losses** | **11** | **34** | **3** | (68) | 267 | **26** | **35** | (26) |
| Compensation and benefits | 429 | 413 | 390 | 4 | 10 | 1,665 | 1,557 | 7 |
| General and administrative expenses | 219 | 224 | 225 | (2) | (3) | 836 | 790 | 6 |
| Commission expenses | 81 | 71 | 66 | 14 | 23 | 292 | 321 | (9) |
| Goodwill impairment | 0 | 0 | 756 | – | (100) | 0 | 756 | (100) |
| Restructuring expenses | 19 | 23 | 3 | (17) | – | 53 | 3 | – |
| Total other operating expenses | 319 | 318 | 1,050 | 0 | (70) | 1,181 | 1,870 | (37) |
| **Total operating expenses** | **748** | **731** | **1,440** | 2 | (48) | **2,846** | **3,427** | (17) |
| **Income/(loss) before taxes** | **103** | **152** | **(617)** | (32) | – | **725** | **377** | 92 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 7.6 | 11.3 | (49.7) | – | – | 13.7 | 6.7 | – |
| Cost/income ratio | 86.8 | 79.7 | 174.3 | – | – | 79.1 | 89.3 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 4,453 | 4,320 | 3,582 | 3 | 24 | 4,147 | 3,405 | 22 |
| Pre-tax return on average economic risk capital (%) [1] | 9.4 | 14.1 | (68.9) | – | – | 17.6 | 11.1 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 6,980 | 7,140 | 6,590 | (2) | 6 | 6,980 | 6,590 | 6 |

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

## Divisional results (continued)

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Net revenues (CHF million)** | | | | | | | | |
| Private Banking | 372 | 346 | 271 | 8 | 37 | 1,374 | 1,178 | 17 |
| Investment Banking | 490 | 571 | 555 | (14) | (12) | 2,223 | 2,661 | (16) |
| **Net revenues** | **862** | **917** | **826** | (6) | 4 | **3,597** | **3,839** | (6) |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 14 | 54 | 23 | (74) | (39) | 72 | 74 | (3) |
| Releases of provisions | (3) | (20) | (20) | (85) | (85) | (46) | (39) | 18 |
| **Provision for credit losses** | **11** | **34** | **3** | (68) | 267 | **26** | **35** | (26) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 97,221 | 93,079 | 85,929 | 4 | 13 | 97,221 | 85,929 | 13 |
| Net loans | 40,134 | 38,669 | 35,905 | 4 | 12 | 40,134 | 35,905 | 12 |
| of which Private Banking | 33,405 | 32,859 | – | 2 | – | 33,405 | – | – |
| Risk-weighted assets | 34,605 | 32,264 | 26,835 | 7 | 29 | 34,605 | 26,835 | 29 |
| Leverage exposure | 108,926 | 108,495 | 98,632 | 0 | 10 | 108,926 | 98,632 | 10 |

## Reconciliation of adjusted results

| | | Private Banking | | | Investment Banking | | | **Asia Pacific** | |
|---|---|---|---|---|---|---|---|---|---|
| in | **4Q16** | 3Q16 | 4Q15 | **4Q16** | 3Q16 | 4Q15 | **4Q16** | 3Q16 | 4Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **372** | **346** | **271** | **490** | **571** | **555** | **862** | **917** | **826** |
| **Provision for credit losses** | **9** | **38** | **(5)** | **2** | **(4)** | **8** | **11** | **34** | **3** |
| **Total operating expenses** | **267** | **242** | **228** | **481** | **489** | **1,212** | **748** | **731** | **1,440** |
| Goodwill impairment | – | – | – | 0 | 0 | (756) | 0 | 0 | (756) |
| Restructuring expenses | (1) | (3) | (1) | (18) | (20) | (2) | (19) | (23) | (3) |
| Major litigation provisions | 0 | 0 | (6) | 0 | 0 | 0 | 0 | 0 | (6) |
| **Adjusted total operating expenses** | **266** | **239** | **221** | **463** | **469** | **454** | **729** | **708** | **675** |
| **Income/(loss) before taxes** | **96** | **66** | **48** | **7** | **86** | **(665)** | **103** | **152** | **(617)** |
| Total adjustments | 1 | 3 | 7 | 18 | 20 | 758 | 19 | 23 | 765 |
| **Adjusted income before taxes** | **97** | **69** | **55** | **25** | **106** | **93** | **122** | **175** | **148** |
| Adjusted return on regulatory capital (%) | – | – | – | – | – | – | 9.0 | 12.9 | 11.7 |

| | Private Banking | | Investment Banking | | **Asia Pacific** | |
|---|---|---|---|---|---|---|
| in | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| **Adjusted results (CHF million)** | | | | | | |
| **Net revenues** | **1,374** | **1,178** | **2,223** | **2,661** | **3,597** | **3,839** |
| **Provision for credit losses** | **32** | **18** | **(6)** | **17** | **26** | **35** |
| **Total operating expenses** | **970** | **816** | **1,876** | **2,611** | **2,846** | **3,427** |
| Goodwill impairment | – | – | 0 | (756) | 0 | (756) |
| Restructuring expenses | (4) | (1) | (49) | (2) | (53) | (3) |
| Major litigation provisions | 0 | (6) | 0 | 0 | 0 | (6) |
| **Adjusted total operating expenses** | **966** | **809** | **1,827** | **1,853** | **2,793** | **2,662** |
| **Income before taxes** | **372** | **344** | **353** | **33** | **725** | **377** |
| Total adjustments | 4 | 7 | 49 | 758 | 53 | 765 |
| **Adjusted income before taxes** | **376** | **351** | **402** | **791** | **778** | **1,142** |
| Adjusted return on regulatory capital (%) | – | – | – | – | 14.8 | 20.4 |

Adjusted results are non-GAAP financial measures. Refer to "Adjusted results" in the Appendix for further information.

**Capital and leverage metrics**
As of the end of 4Q16, we reported risk-weighted assets of CHF 34.6 billion, an increase of CHF 2.3 billion compared to the end of 3Q16, mainly reflecting the foreign exchange impact from the strengthening of the US dollar against the Swiss franc, higher risk levels and methodology changes. Leverage exposure was CHF 108.9 billion, reflecting an increase of CHF 0.4 billion compared to the end of 3Q16, primarily driven by an increase in HQLA and the foreign exchange impact, partially offset by lower inventory levels reflecting subdued market conditions and a reduction of positions including the ongoing transfer of the systematic market making business to the Asset Management business of International Wealth Management.

## PRIVATE BANKING

### RESULTS

In 4Q16, income before taxes of CHF 96 million increased 45% compared to 3Q16, reflecting lower provision for credit losses and higher net revenues, partially offset by higher total operating expenses. Compared to 4Q15, income before taxes increased 100% due to higher net revenues, partially offset by higher total operating expenses and higher provision for credit losses. Adjusted income before taxes of CHF 97 million increased 41% compared to 3Q16 and 76% compared to 4Q15.

**Net revenues**
Net revenues of CHF 372 million increased 8% compared to 3Q16, primarily due to increased recurring commissions and fees. Recurring commissions and fees increased 37% to CHF 92 million, mainly due to higher other commissions and fees, partially offset by lower wealth structuring solutions fees. Other commissions and fees for the quarter included the positive impact of an adjustment relating to treasury allocations of CHF 19 million. Net interest income increased 4% to CHF 166 million, reflecting stable deposit and loan margins on slightly higher average deposit and loan volumes. Transaction-based revenues decreased 5% to CHF 114 million, mainly due to lower brokerage and product issuing fees, partially offset by higher fees from foreign exchange client business and higher corporate advisory fees arising from integrated solutions.

Compared to 4Q15, net revenues increased 37%, mainly reflecting increases in net interest income, recurring commissions and fees and transaction-based revenues. Net interest income increased 27%, reflecting significantly higher deposit margins on higher average deposit volumes and higher loan margins on higher average loan volumes. Recurring commissions and fees increased 53%, mainly due to higher other commissions and fees, which included the positive impact of the adjustment relating to treasury allocations, and higher investment product management fees. Transaction-based revenues increased 36%, primarily reflecting higher fees from foreign exchange client business, higher corporate advisory fees arising from integrated solutions and higher brokerage and product issuing fees.

**Provision for credit losses**
The Private Banking loan portfolio primarily comprises lombard loans, mainly backed by listed securities.

In 4Q16, Private Banking recorded a net provision for credit losses of CHF 9 million, compared to a net provision for credit losses of CHF 38 million in 3Q16 and a net release of provision for credit losses of CHF 5 million in 4Q15. The higher provision for credit losses in 3Q16 was in relation to a small number of share-based loans in Hong Kong which were impaired due to their collateral values abruptly falling below their loan amounts.

**Total operating expenses**
Total operating expenses of CHF 267 million increased 10% compared to 3Q16, mainly reflecting higher general and administrative expenses and higher compensation and benefits. General and administrative expenses increased 33% to CHF 76 million, reflecting higher expenses for IT infrastructure and product development and support. Compensation and benefits increased 5% to CHF 177 million, primarily driven by higher discretionary compensation and salary expenses. Adjusted total operating expenses of CHF 266 million increased 11% compared to 3Q16.

Compared to 4Q15, total operating expenses increased 17%, mainly reflecting higher compensation and benefits. Compensation and benefits increased 27%, primarily driven by higher salary expenses reflecting growth-related higher headcount, and higher discretionary compensation expenses. General and administrative expenses decreased slightly, mainly due to lower litigation provisions and lower advertising and marketing expenses, partially offset by higher expenses for IT infrastructure, product development and support and risk management. Adjusted total operating expenses increased 20% compared to 4Q15.

## Results – Private Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **372** | **346** | **271** | 8 | 37 | **1,374** | **1,178** | 17 |
| **Provision for credit losses** | **9** | **38** | **(5)** | (76) | – | **32** | **18** | 78 |
| Compensation and benefits | 177 | 169 | 139 | 5 | 27 | 652 | 522 | 25 |
| General and administrative expenses | 76 | 57 | 78 | 33 | (3) | 267 | 244 | 9 |
| Commission expenses | 13 | 13 | 10 | 0 | 30 | 47 | 49 | (4) |
| Restructuring expenses | 1 | 3 | 1 | (67) | 0 | 4 | 1 | 300 |
| Total other operating expenses | 90 | 73 | 89 | 23 | 1 | 318 | 294 | 8 |
| **Total operating expenses** | **267** | **242** | **228** | 10 | 17 | **970** | **816** | 19 |
| **Income before taxes** | **96** | **66** | **48** | 45 | 100 | **372** | **344** | 8 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 71.8 | 69.9 | 84.1 | – | – | 70.6 | 69.3 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 166 | 159 | 131 | 4 | 27 | 602 | 445 | 35 |
| Recurring commissions and fees | 92 | 67 | 60 | 37 | 53 | 302 | 260 | 16 |
| Transaction-based revenues | 114 | 120 | 84 | (5) | 36 | 486 | 456 | 7 |
| Other revenues | 0 | 0 | (4) | – | 100 | (16) | 17 | – |
| **Net revenues** | **372** | **346** | **271** | 8 | 37 | **1,374** | **1,178** | 17 |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 87 | 84 | 72 | – | – | 86 | 79 | – |
| Net margin [2] | 22 | 16 | 13 | – | – | 23 | 23 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 640 | 650 | 580 | (2) | 10 | 640 | 580 | 10 |

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

### MARGINS

#### Gross margin

Our gross margin was 87 basis points in 4Q16, three basis points higher compared to 3Q16, mainly reflecting higher net revenues, particularly recurring commissions and fees, partially offset by a 3.9% increase in average assets under management. Compared to 4Q15, our gross margin was 15 basis points higher, mainly reflecting higher net revenues, particularly net interest income, recurring commissions and fees and transaction-based revenues, partially offset by a 13.4% increase in average assets under management.

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

#### Net margin

Our net margin was 22 basis points in 4Q16, six basis points higher compared to 3Q16, mainly reflecting lower provision for credit losses and higher net revenues, partially offset by higher operating expenses. Compared to 4Q15, our net margin was nine basis points higher, mainly reflecting higher net revenues, partially offset by higher operating expenses and higher provision for credit losses.

### ASSETS UNDER MANAGEMENT

As of the end of 4Q16, assets under management of CHF 168.3 billion were CHF 0.7 billion lower compared to the end of 3Q16, primarily driven by unfavorable market movements. Net new assets of CHF 0.7 billion reflected inflows primarily from Greater China and Australia, partially offset by significant outflows in connection with the regularization of client assets of CHF 1.4 billion, mainly in South East Asia.

As of the end of 2016, assets under management of CHF 168.3 billion were CHF 17.9 billion higher compared to the end of 2015, mainly reflecting net new assets of CHF 14.6 billion and favorable foreign exchange-related and market movements. Net new assets reflected inflows primarily from Greater China, Australia and South East Asia, partially offset by significant outflows in connection with the regularization of client assets of CHF 2.5 billion, mainly in South East Asia.

## Assets under management – Private Banking

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 168.3 | 169.0 | 150.4 | (0.4) | 11.9 | 168.3 | 150.4 | 11.9 |
| Average assets under management | 171.6 | 165.2 | 151.3 | 3.9 | 13.4 | 160.0 | 150.0 | 6.7 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 82.5 | 79.0 | 66.5 | 4.4 | 24.1 | 82.5 | 66.5 | 24.1 |
| EUR | 4.6 | 4.5 | 4.7 | 2.2 | (2.1) | 4.6 | 4.7 | (2.1) |
| CHF | 2.0 | 1.8 | 2.3 | 11.1 | (13.0) | 2.0 | 2.3 | (13.0) |
| Other | 79.2 | 83.7 | 76.9 | (5.4) | 3.0 | 79.2 | 76.9 | 3.0 |
| **Assets under management** | **168.3** | **169.0** | **150.4** | (0.4) | 11.9 | **168.3** | **150.4** | 11.9 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 0.7 | 4.6 | 3.0 | – | – | 14.6 | 17.8 | – |
| Other effects | (1.4) | 6.1 | 8.3 | – | – | 3.3 | (17.9) | – |
| of which market movements | (3.8) | 6.9 | 6.1 | – | – | 1.4 | (4.9) | – |
| of which foreign exchange | 5.2 | (0.5) | 2.1 | – | – | 4.8 | (3.4) | – |
| of which other | (2.8) | (0.3) | 0.1 | – | – | (2.9) | (9.6) | – |
| **Growth in assets under management** | **(0.7)** | **10.7** | **11.3** | – | – | **17.9** | **(0.1)** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 1.7 | 11.6 | 8.6 | – | – | 9.7 | 11.8 | – |
| Other effects | (3.4) | 15.4 | 23.9 | – | – | 2.2 | (11.9) | – |
| **Growth in assets under management (annualized)** | **(1.7)** | **27.0** | **32.5** | – | – | **11.9** | **(0.1)** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 9.7 | 12.1 | 11.8 | – | – | – | – | – |
| Other effects | 2.2 | 9.4 | (11.9) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **11.9** | **21.5** | **(0.1)** | – | – | – | – | – |

# INVESTMENT BANKING

## RESULTS

In 4Q16, income before taxes of CHF 7 million decreased 92% compared to 3Q16, mainly due to lower net revenues. Compared to 4Q15, income before taxes increased CHF 672 million, primarily reflecting the absence of the goodwill impairment charge of CHF 756 million in 4Q15, partially offset by lower net revenues and higher restructuring expenses. Adjusted income before taxes of CHF 25 million decreased 76% compared to 3Q16 and 73% compared to 4Q15.

### Net revenues

Net revenues decreased 14% to CHF 490 million compared to 3Q16, mainly reflecting lower fixed income sales and trading revenues. Fixed income sales and trading revenues decreased 53% to CHF 70 million, mainly due to lower client activity in emerging markets rates products and the absence of the positive impact of CHF 33 million in 3Q16 resulting from an increase in the funding value of certain structured deposits originated in Asia Pacific, partially offset by higher financing revenues which included a positive net fair value impact of CHF 26 million from an impaired loan portfolio in recovery management. Equity sales and trading revenues of CHF 340 million, which included a positive net fair value impact in derivatives of CHF 49 million from an impaired loan portfolio in recovery management, and underwriting and advisory revenues of CHF 115 million were stable.

Compared to 4Q15, net revenues decreased 12%, mainly due to lower fixed income and equity sales and trading revenues, partially offset by higher underwriting and advisory revenues. Fixed income sales and trading revenues decreased 50%, primarily driven by lower client activity within rates products, partially offset by the positive net fair value impact from an impaired loan portfolio in recovery management and higher revenues from foreign exchange products. Equity sales and trading revenues decreased 10%, primarily due to decreases in systematic market making and prime services and the absence of the positive impact from the release of a trade-related provision in 4Q15, partially offset by higher revenues from derivatives which included the positive net fair value impact from an impaired loan portfolio in recovery management. Underwriting and advisory revenues increased 44%, primarily due to higher equity underwriting and advisory fees resulting from increased market activity and higher share of wallet. Share of wallet refers to our share of the overall fee pool for the respective products.

## Results – Investment Banking

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **490** | **571** | **555** | (14) | (12) | **2,223** | **2,661** | (16) |
| **Provision for credit losses** | **2** | **(4)** | **8** | – | (75) | **(6)** | **17** | – |
| Compensation and benefits | 252 | 244 | 251 | 3 | 0 | 1,013 | 1,035 | (2) |
| General and administrative expenses | 143 | 167 | 147 | (14) | (3) | 569 | 546 | 4 |
| Commission expenses | 68 | 58 | 56 | 17 | 21 | 245 | 272 | (10) |
| Goodwill impairment | 0 | 0 | 756 | – | (100) | 0 | 756 | (100) |
| Restructuring expenses | 18 | 20 | 2 | (10) | – | 49 | 2 | – |
| Total other operating expenses | 229 | 245 | 961 | (7) | (76) | 863 | 1,576 | (45) |
| **Total operating expenses** | **481** | **489** | **1,212** | (2) | (60) | **1,876** | **2,611** | (28) |
| **Income/(loss) before taxes** | **7** | **86** | **(665)** | (92) | – | **353** | **33** | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 98.2 | 85.6 | 218.4 | – | – | 84.4 | 98.1 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Fixed income sales and trading | 70 | 148 | 139 | (53) | (50) | 635 | 608 | 4 |
| Equity sales and trading | 340 | 339 | 379 | 0 | (10) | 1,314 | 1,872 | (30) |
| Underwriting and advisory | 115 | 115 | 80 | 0 | 44 | 402 | 292 | 38 |
| Other revenues | (35) | (31) | (43) | 13 | (19) | (128) | (111) | 15 |
| **Net revenues** | **490** | **571** | **555** | **(14)** | **(12)** | **2,223** | **2,661** | **(16)** |

### Provision for credit losses

In 4Q16, Investment Banking recorded a net provision for credit losses of CHF 2 million, compared to a net release of provision of CHF 4 million in 3Q16 and a net provision for credit losses of CHF 8 million in 4Q15.

### Total operating expenses

Total operating expenses of CHF 481 million decreased slightly compared to 3Q16, reflecting lower general and administrative expenses, offset by higher commission expenses and higher compensation and benefits. General and administrative expenses decreased 14% to CHF 143 million, mainly due to lower allocated corporate function costs. Compensation and benefits increased slightly to CHF 252 million, primarily driven by higher discretionary compensation expenses. Commission expenses increased 17% to CHF 68 million, mainly reflecting an adjustment relating to intercompany commission expenses charged by Global Markets. Adjusted total operating expenses of CHF 463 million were stable compared to 3Q16.

Compared to 4Q15, total operating expenses decreased 60%, mainly reflecting the absence of the goodwill impairment charge of CHF 756 million in 4Q15. General and administrative expenses decreased slightly, mainly due to lower litigation provisions and lower travel and entertainment expenses, partially offset by higher allocated corporate function costs. Compensation and benefits were stable, primarily reflecting lower deferred compensation from prior-year awards, offset by higher discretionary compensation expenses and higher salary expenses reflecting growth-related hires in the advisory, underwriting and financing businesses. Restructuring expenses increased CHF 16 million to CHF 18 million reflecting ongoing cost management initiatives. Adjusted total operating expenses increased slightly compared to 4Q15.

# Global Markets

In 4Q16, Global Markets reported income before taxes of CHF 5 million and net revenues of CHF 1,265 million. Net revenues decreased 7% compared to 3Q16, reflecting a seasonal slowdown in client activity partially offset by improved performance in equities. For 2016, we reported income before taxes of CHF 48 million and net revenues of CHF 5,497 million.

## RESULTS SUMMARY

### 4Q16 results

In 4Q16, we reported income before taxes of CHF 5 million and net revenues of CHF 1,265 million. Compared to 3Q16, net revenues decreased 7%, reflecting a 25% decline in solutions revenues and a 15% decline in credit revenues, partially offset by a 37% increase in equities revenues. Compared to 4Q15, net revenues increased 8%, primarily due to significant improvement across global credit products and securitized products, albeit from subdued levels, partially offset by lower equities and solutions performance. Revenues from our credit businesses increased 66%, solutions revenues decreased 18% and equities revenues declined 16%.

Total operating expenses of CHF 1,264 million were stable compared to 3Q16, as lower restructuring costs and reduced compensation and benefits were offset by increased commission expenses and higher costs related to our risk, regulatory and compliance infrastructure. Compared to 4Q15, total operating expenses decreased 72%, primarily due to the goodwill impairment charge incurred in 4Q15. Adjusted income before taxes was CHF 20 million in 4Q16, compared to CHF 146 million in 3Q16 and a loss of CHF 505 million in 4Q15.

### 2016 results

In 2016, we reported income before taxes of CHF 48 million and net revenues of CHF 5,497 million. Compared to 2015, net revenues declined 19%, as challenging trading conditions resulted in low levels of client activity. Equities revenues declined 20%, primarily due to lower systematic market making revenues given low volatility, lower prime services revenues as we resized our business model and reduced equity underwriting revenues. Credit revenues declined 18%, primarily due to a decline in securitized products revenues, reflecting a significant reduction in our risk and capital profile, partially offset by higher global credit products revenues, reflecting improved leveraged finance trading activity due to a significant rebound in US high yield and loan trading. Solutions revenues declined 19%, reflecting reduced equity derivatives performance given lower volatility, lower global macro products revenues given the exit of our European rates business and lower emerging markets revenues due to decreased structured products performance, partially offset by improved Brazil trading activity.

Total operating expenses were CHF 5,452 million, down 38% compared to 2015, reflecting the goodwill impairment of CHF 2,661 million in 2015. Adjusted total operating expenses of CHF 5,228 million decreased 9% compared to 2015, reflecting lower compensation and benefits and decreased costs related to our risk, regulatory and compliance infrastructure. Adjusted income before taxes was CHF 272 million in 2016, compared to CHF 1,057 million in 2015.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,265** | **1,357** | **1,170** | (7) | 8 | **5,497** | **6,826** | (19) |
| **Provision for credit losses** | **(4)** | **(5)** | **(4)** | (20) | 0 | **(3)** | **10** | – |
| Compensation and benefits | 634 | 642 | 924 | (1) | (31) | 2,725 | 3,105 | (12) |
| General and administrative expenses | 475 | 466 | 667 | 2 | (29) | 2,001 | 2,322 | (14) |
| Commission expenses | 140 | 115 | 138 | 22 | 1 | 509 | 563 | (10) |
| Goodwill impairment | 0 | 0 | 2,661 | – | (100) | 0 | 2,661 | (100) |
| Restructuring expenses | 15 | 52 | 96 | (71) | (84) | 217 | 96 | 126 |
| Total other operating expenses | 630 | 633 | 3,562 | 0 | (82) | 2,727 | 5,642 | (52) |
| **Total operating expenses** | **1,264** | **1,275** | **4,486** | (1) | (72) | **5,452** | **8,747** | (38) |
| **Income/(loss) before taxes** | **5** | **87** | **(3,312)** | (94) | – | **48** | **(1,931)** | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 0.3 | 2.5 | (90.3) | – | – | 0.4 | (11.2) | – |
| Cost/income ratio | 99.9 | 94.0 | 383.4 | – | – | 99.2 | 128.1 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 9,030 | 9,311 | 12,314 | (3) | (27) | 9,928 | 12,372 | (20) |
| Pre-tax return on average economic risk capital (%) [1] | (0.2) | 4.2 | (106.8) | – | – | 0.7 | (14.9) | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 11,530 | 11,680 | 12,000 | (1) | (4) | 11,530 | 12,000 | (4) |

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

### Capital and leverage metrics

As of the end of 4Q16, we reported risk-weighted assets of USD 50.6 billion, below our end-2016 target of USD 60 billion. Risk weighted assets decreased 4% compared to 3Q16, primarily reflecting business reductions. Leverage exposure of USD 277.8 billion was below our end-2016 target of USD 290 billion. Leverage exposure decreased 6% compared to 3Q16, primarily reflecting business reductions. During 4Q16, certain derivative positions in the Strategic Resolution Unit received regulatory approval to apply updated capital models and as a result were transferred to our Global Markets division.

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Equities | 445 | 324 | 529 | 37 | (16) | 1,839 | 2,295 | (20) |
| Credit | 612 | 719 | 369 | (15) | 66 | 2,463 | 2,996 | (18) |
| Solutions | 261 | 349 | 318 | (25) | (18) | 1,364 | 1,686 | (19) |
| Other | (53) | (35) | (46) | 51 | 15 | (169) | (151) | 12 |
| **Net revenues** | **1,265** | **1,357** | **1,170** | (7) | 8 | **5,497** | **6,826** | (19) |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Total assets | 239,700 | 245,492 | 234,276 | (2) | 2 | 239,700 | 234,276 | 2 |
| Risk-weighted assets | 51,713 | 51,127 | 62,838 | 1 | (18) | 51,713 | 62,838 | (18) |
| Risk-weighted assets (USD) | 50,556 | 52,741 | 63,527 | (4) | (20) | 50,556 | 63,527 | (20) |
| Leverage exposure | 284,143 | 286,694 | 276,656 | (1) | 3 | 284,143 | 276,656 | 3 |
| Leverage exposure (USD) | 277,787 | 295,744 | 279,691 | (6) | (1) | 277,787 | 279,691 | (1) |

## Reconciliation of adjusted results

| | | | | | Global Markets |
|---|---|---|---|---|---|
| in | **4Q16** | 3Q16 | 4Q15 | **2016** | 2015 |
| **Adjusted results (CHF million)** | | | | | |
| **Net revenues** | **1,265** | **1,357** | **1,170** | **5,497** | **6,826** |
| **Provision for credit losses** | **(4)** | **(5)** | **(4)** | **(3)** | **10** |
| **Total operating expenses** | **1,264** | **1,275** | **4,486** | **5,452** | **8,747** |
| Goodwill impairment | 0 | 0 | (2,661) | 0 | (2,661) |
| Restructuring expenses | (15) | (52) | (96) | (217) | (96) |
| Major litigation provisions | 0 | (7) | (50) | (7) | (231) |
| **Adjusted total operating expenses** | **1,249** | **1,216** | **1,679** | **5,228** | **5,759** |
| **Income/(loss) before taxes** | **5** | **87** | **(3,312)** | **48** | **(1,931)** |
| Total adjustments | 15 | 59 | 2,807 | 224 | 2,988 |
| **Adjusted income/(loss) before taxes** | **20** | **146** | **(505)** | **272** | **1,057** |
| Adjusted return on regulatory capital (%) | 0.7 | 4.1 | (13.7) | 2.0 | 6.7 |

Adjusted results are non-GAAP financial measures. Refer to "Adjusted results" in the Appendix for further information.

## RESULTS

### Equities

In 4Q16, equities revenues of CHF 445 million increased 37% compared to 3Q16, reflecting improved operating conditions due to a rebound in volatility and increased volumes across regions following the US presidential election. Cash equities revenues increased, reflecting higher underwriting revenues, particularly in the Americas due to higher industry-wide initial public offerings (IPOs) volumes, and improved trading revenues due to higher volumes and client activity. Prime services revenues increased compared to 3Q16, primarily due to higher prime financing client activity. In addition, systematic market making revenues increased, albeit from subdued levels, reflecting improved volatility.

Compared to 4Q15, equities revenues declined 16%, primarily reflecting more challenging operating conditions, specifically a subdued volatility environment which negatively impacted client trading activity. Systematic market making revenues declined significantly, particularly in Europe, Middle East and Africa (EMEA), compared to more favorable market conditions in 4Q15. Prime services revenues decreased due to lower prime brokerage results given our resized business model. Cash equities revenues were lower primarily due to a decline in EMEA trading volumes, partially offset by improved underwriting revenues.

### Credit

In 4Q16, credit revenues of CHF 612 million decreased 15%, compared to 3Q16 results, reflecting a seasonal slowdown in client activity across global credit products and securitized products. Global credit products trading revenues decreased, as reduced primary activity resulted in lower secondary revenues. Securitized

products revenues decreased, due to a decline in non-agency and agency trading, reflecting a seasonal slowdown in client activity, partially offset by robust asset finance revenues. Underwriting revenues declined, reflecting lower investment grade industry wide issuance activity.

Compared to 4Q15, credit revenues increased 66%, reflecting more favorable market conditions, notably improved credit asset prices and volumes, lower volatility and significantly tightened US high yield spreads, which supported increased client activity. In 4Q15, results reflected reduced levels of client activity related to extreme credit market conditions, including widening in US high yield spreads and low levels of market liquidity, which adversely impacted our securitized products and global credit products franchises. Global credit products trading revenues significantly increased, albeit from subdued levels, primarily reflecting increased leveraged finance trading activity and improved corporate lending results. Underwriting revenues increased, reflecting higher leveraged loans and high yield issuance activity. In addition, securitized products trading revenues increased significantly, compared to subdued 4Q15 results which included the impact of mark-to-market losses in our non-agency and agency businesses.

**Solutions**

In 4Q16, solutions revenues of CHF 261 million decreased 25% compared to 3Q16, as lower Brazil trading activity in emerging markets and rates revenues were partially offset by improved equity derivatives performance. Emerging markets revenues declined due to lower asset prices following the US presidential election. Global macro products revenues declined, reflecting lower rates options and foreign exchange results due to reduced client activity. These declines were partially offset by improved revenues in equity derivatives, reflecting a resurgence of client activity across structured and flow derivatives and compared to challenging operating conditions in 3Q16.

Compared to 4Q15, solutions revenues decreased 18%, as lower equity derivatives and global macro products performance more than offset improved operating conditions in emerging markets. Equity derivatives revenues declined, reflecting low levels of volatility, which negatively impacted flow and structured derivatives. In addition, global macro products revenues declined, reflecting the exit of our European rates business as we resized the franchise. These declines were partially offset by improved emerging markets revenues, reflecting higher trading activity in Brazil.

**Provision for credit losses**

Global markets recorded a release of provision for credit losses of CHF 4 million in 4Q16, CHF 5 million in 3Q16 and CHF 4 million in 4Q15.

**Total operating expenses**

In 4Q16, total operating expenses of CHF 1,264 million were stable compared to 3Q16, as lower restructuring costs and reduced compensation and benefits were offset by higher commission expenses and higher general administrative expenses. The decrease in compensation and benefits was primarily driven by lower discretionary compensation and salary expenses. The increase in general and administrative expenses was primarily driven by increased costs related to our risk, regulatory and compliance infrastructure. 4Q16 included a non-recurring settlement charge of CHF 40 million relating to former employees of the US pension plan.

Compared to 4Q15, total operating expenses decreased 72%, primarily reflecting the goodwill impairment charge of CHF 2,661 million incurred in 4Q15. Adjusted total operating expenses decreased 26%, reflecting decreased compensation and benefits and lower general and administrative expenses. The decrease in compensation and benefits was driven by lower discretionary compensation, reduced deferred compensation from prior-year awards and lower salary expenses. General and administrative expenses declined, primarily due to lower costs related to our risk, regulatory and compliance infrastructure.

# Investment Banking & Capital Markets

In 4Q16, Investment Banking & Capital Markets reported income before taxes of CHF 149 million and net revenues of CHF 574 million. Net revenues increased 37% compared to 4Q15, outperforming the industry-wide fee pool which was up 2%. For 2016, we reported income before taxes of CHF 261 million and net revenues of CHF 1,972 million.

## RESULTS SUMMARY

### 4Q16 results

In 4Q16, we reported income before taxes of CHF 149 million, an increase compared to 3Q16, primarily due to higher net revenues. Net revenues of CHF 574 million increased 23%, due to higher revenues from advisory and other fees and equity underwriting, partially offset by lower revenues from debt underwriting. Total operating expenses of CHF 425 million decreased 3%, driven by lower restructuring expenses and general and administrative expenses, partially offset by higher compensation and benefits.

In 4Q16, we reported income before taxes of CHF 149 million compared to a loss of CHF 477 million in 4Q15, which reflected a goodwill impairment charge of CHF 380 million. Net revenues increased 37%, primarily driven by higher debt underwriting revenues, partially offset by lower advisory and other fees and lower equity underwriting revenues. Total operating expenses decreased 53%, primarily reflecting the goodwill impairment charge in 4Q15. Adjusted income before taxes was CHF 143 million in 4Q16, compared to CHF 54 million in 3Q16 and a loss of CHF 75 million in 4Q15.

### 2016 results

In 2016, we reported income before taxes of CHF 261 million and net revenues of CHF 1,972 million. Net revenues increased 10% compared to 2015. Debt underwriting revenues of CHF 934 million increased 15% on higher leveraged finance and derivatives financing revenues and significant mark-to-market losses related to our underwriting commitments in 2015. Advisory and other fees of CHF 849 million increased 14%, mainly reflecting higher revenues from completed M&A transactions. Equity underwriting revenues of CHF 312 million decreased 17%, reflecting a decrease in the industry-wide fee pool for IPOs and follow-on offerings.

Total operating expenses of CHF 1,691 million decreased 20%, primarily due to the goodwill impairment charge of CHF 380 million incurred in 2015, and lower deferred compensation expense. These decreases were partially offset by a higher discretionary compensation accrual, market-based salary increases and higher restructuring expenses. Adjusted income before taxes was CHF 289 million in 2016, compared to CHF 88 million in 2015.

### Capital and leverage metrics

As of the end of 4Q16, we reported risk-weighted assets of USD 17.6 billion, a decrease of USD 1.0 billion compared to the end of 3Q16, mainly driven by a reduction in underwriting activity and reductions in the corporate derivatives portfolio. Leverage exposure was USD 44.6 billion, reflecting a decrease of USD 1.1 billion compared to the end of 3Q16, driven by reduced underwriting exposure.

## Divisional results

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **574** | **467** | **420** | 23 | 37 | **1,972** | **1,787** | 10 |
| **Provision for credit losses** | **0** | **(9)** | **0** | 100 | – | **20** | **0** | – |
| Compensation and benefits | 329 | 313 | 367 | 5 | (10) | 1,237 | 1,265 | (2) |
| General and administrative expenses | 101 | 109 | 128 | (7) | (21) | 424 | 432 | (2) |
| Commission expenses | 1 | 0 | 0 | – | – | 2 | 2 | 0 |
| Goodwill impairment | 0 | 0 | 380 | – | (100) | 0 | 380 | (100) |
| Restructuring expenses | (6) | 15 | 22 | – | – | 28 | 22 | 27 |
| Total other operating expenses | 96 | 124 | 530 | (23) | (82) | 454 | 836 | (46) |
| **Total operating expenses** | **425** | **437** | **897** | (3) | (53) | **1,691** | **2,101** | (20) |
| **Income/(loss) before taxes** | **149** | **39** | **(477)** | 282 | – | **261** | **(314)** | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 22.9 | 6.1 | (85.4) | – | – | 10.7 | (15.4) | – |
| Cost/income ratio | 74.0 | 93.6 | 213.6 | – | – | 85.8 | 117.6 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 5,030 | 4,762 | 4,032 | 6 | 25 | 4,652 | 3,717 | 25 |
| Pre-tax return on average economic risk capital (%) [1] | 11.3 | 3.3 | (47.3) | – | – | 5.5 | (8.4) | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 3,090 | 2,910 | 2,810 | 6 | 10 | 3,090 | 2,810 | 10 |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Advisory and other fees | 268 | 161 | 276 | 66 | (3) | 849 | 748 | 14 |
| Debt underwriting | 228 | 239 | 138 | (5) | 65 | 934 | 809 | 15 |
| Equity underwriting | 99 | 74 | 102 | 34 | (3) | 312 | 376 | (17) |
| Other | (21) | (7) | (96) | 200 | (78) | (123) | (146) | (16) |
| **Net revenues** | **574** | **467** | **420** | 23 | 37 | **1,972** | **1,787** | 10 |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Total assets | 20,784 | 19,931 | 18,712 | 4 | 11 | 20,784 | 18,712 | 11 |
| Risk-weighted assets | 18,027 | 18,019 | 16,150 | 0 | 12 | 18,027 | 16,150 | 12 |
| Risk-weighted assets (USD) | 17,624 | 18,588 | 16,327 | (5) | 8 | 17,624 | 16,327 | 8 |
| Leverage exposure | 45,571 | 44,240 | 40,898 | 3 | 11 | 45,571 | 40,898 | 11 |
| Leverage exposure (USD) | 44,552 | 45,636 | 41,347 | (2) | 8 | 44,552 | 41,347 | 8 |

## Reconciliation of adjusted results

| | | | | | Investment Banking & Capital Markets |
|---|---|---|---|---|---|
| in | **4Q16** | 3Q16 | 4Q15 | **2016** | 2015 |
| **Adjusted results (CHF million)** | | | | | |
| **Net revenues** | **574** | **467** | **420** | **1,972** | **1,787** |
| **Provision for credit losses** | **0** | **(9)** | **0** | **20** | **0** |
| **Total operating expenses** | **425** | **437** | **897** | **1,691** | **2,101** |
| Goodwill impairment | 0 | 0 | (380) | 0 | (380) |
| Restructuring expenses | 6 | (15) | (22) | (28) | (22) |
| **Adjusted total operating expenses** | **431** | **422** | **495** | **1,663** | **1,699** |
| **Income/(loss) before taxes** | **149** | **39** | **(477)** | **261** | **(314)** |
| Total adjustments | (6) | 15 | 402 | 28 | 402 |
| **Adjusted income/(loss) before taxes** | **143** | **54** | **(75)** | **289** | **88** |
| Adjusted return on regulatory capital (%) | 22.0 | 8.6 | (13.8) | 11.9 | 4.6 |

Adjusted results are non-GAAP financial measures. Refer to "Adjusted results" in the Appendix for further information.

## RESULTS

### Advisory and other fees

In 4Q16, revenues from advisory and other fees of CHF 268 million increased 66% compared to 3Q16, as higher revenues from completed M&A transactions and an increase in our share of wallet offset a decrease in the overall fee pool. Share of wallet refers to our share of the industry-wide fee pool for the respective products.

Compared to 4Q15, revenues decreased 3%, in line with the decrease in the industry-wide fee pool.

### Debt underwriting

In 4Q16, debt underwriting revenues of CHF 228 million decreased 5% compared to 3Q16, driven by lower leveraged finance and investment grade underwriting revenues, partially offset by higher derivatives financing revenues.

Compared to 4Q15, revenues increased 65%, driven by higher leveraged finance revenues and significant mark-to-market losses in 4Q15 related to our underwriting commitments.

### Equity underwriting

In 4Q16, revenues from equity underwriting of CHF 99 million increased 34% compared to 3Q16, primarily driven by higher revenues from IPOs and follow-on offerings.

Compared to 4Q15, revenues decreased 3%, driven by lower revenues from rights offerings, partially offset by higher revenues from IPOs.

### Provision for credit losses

In 4Q16 and 4Q15, we did not record a provision for credit losses. In 3Q16, we recorded a release of provision for credit losses of CHF 9 million, reflecting continued stabilization in the energy sector.

**Total operating expenses**
Total operating expenses of CHF 425 million decreased 3% compared to 3Q16, driven by lower restructuring and general and administrative expenses, partially offset by higher compensation and benefits. 4Q16 included a non-recurring settlement charge of CHF 17 million relating to former employees of the US pension plan. General and administrative expenses of CHF 101 million decreased 7%, driven by lower allocated corporate function costs. Compensation and benefits of CHF 329 million increased 5%, reflecting the US pension plan settlement.

Compared to 4Q15, total operating expenses decreased 53%, primarily reflecting the CHF 380 million goodwill impairment charge incurred in 2015. Compensation and benefits decreased 10%, primarily driven by lower deferred compensation expenses from prior year awards and lower discretionary compensation expenses. General and administrative expenses declined 21%, reflecting lower costs across most general and administrative-related expense categories. Total adjusted operating expenses decreased 13% compared to 4Q15.

## Global advisory and underwriting revenues

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

| | | | in | % change | |
|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY |
| **Global advisory and underwriting revenues (USD million)** | | | | | |
| Global advisory and underwriting revenues | 1,042 | 945 | 790 | 10 | 32 |
| of which advisory and other fees | 310 | 209 | 299 | 48 | 4 |
| of which debt underwriting | 498 | 552 | 274 | (10) | 82 |
| of which equity underwriting | 234 | 184 | 217 | 27 | 8 |

# Strategic Resolution Unit

In 4Q16, the Strategic Resolution Unit reported a loss before taxes of CHF 2,595 million, including significant litigation provisions of CHF 2,088 million primarily related to the RMBS settlement. The division decreased its risk-weighted assets by USD 10.5 billion and its leverage exposure by USD 15.2 billion. For 2016, we reported a loss before taxes of CHF 5,459 million.

## RESULTS SUMMARY

### 4Q16 results

In 4Q16, we reported a loss before taxes of CHF 2,595 million compared to losses of CHF 852 million in 3Q16 and CHF 1,322 million in 4Q15. In 4Q16, we reported an adjusted loss before taxes of CHF 521 million, compared to adjusted losses of CHF 513 million in 3Q16 and CHF 911 million in 4Q15.

We reported negative net revenues of CHF 202 million in 4Q16, driven by overall funding costs and exit costs, partially offset by revenues from the legacy cross-border and small markets businesses. Total operating expenses of CHF 2,365 million in 4Q16 included significant litigation provisions of CHF 2,088 million primarily related to the settlement with the DOJ regarding our legacy RMBS business.

### 2016 results

We reported a loss before taxes of CHF 5,459 million, including significant litigation provisions of CHF 2,492 million, primarily related to the RMBS settlement, compared to a loss before taxes of CHF 2,652 million in 2015. In 2016, we reported an adjusted loss before taxes of CHF 2,943 million, compared to an adjusted loss of CHF 2,206 million in 2015.

Negative net revenues of CHF 1,271 million in 2016 were driven by overall funding costs, valuation adjustments and exit costs, partially offset by revenues from the legacy cross-border and small markets businesses. Valuation adjustments in 2016 primarily reflected mark-to-market losses on the legacy investment banking portfolio, including our distressed credit and emerging markets loan portfolio. Net revenues decreased CHF 1,782 million compared to 2015, primarily driven by lower revenues from restructuring of select onshore businesses and higher funding costs. Provision for credit losses was CHF 111 million in 2016 compared to CHF 137 million in 2015. Total operating expenses were CHF 4,077 million in 2016, including CHF 3,290 million of general and administrative expenses, of which CHF 2,492 million were litigation provisions, primarily relating to the RMBS settlement and CHF 612 million of compensation and benefits. In 2016, we reported adjusted total operating expenses of CHF 1,563 million, compared to CHF 2,580 million in 2015.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(202)** | **(165)** | **(126)** | 22 | 60 | **(1,271)** | **511** | – |
| of which from noncontrolling interests without significant economic interest | 0 | 11 | 20 | (100) | (100) | 27 | 11 | 145 |
| **Provision for credit losses** | **28** | **5** | **100** | 460 | (72) | **111** | **137** | (19) |
| Compensation and benefits | 106 | 134 | 259 | (21) | (59) | 612 | 1,168 | (48) |
| General and administrative expenses | 2,254 | 514 | 640 | 339 | 252 | 3,290 | 1,539 | 114 |
| of which litigation provisions | 2,088 | 334 | 294 | – | – | 2,492 | 417 | 498 |
| Commission expenses | 4 | 13 | 41 | (69) | (90) | 54 | 163 | (67) |
| Restructuring expenses | 1 | 21 | 156 | (95) | (99) | 121 | 156 | (22) |
| Total other operating expenses | 2,259 | 548 | 837 | 312 | 170 | 3,465 | 1,858 | 86 |
| **Total operating expenses** | **2,365** | **682** | **1,096** | 247 | 116 | **4,077** | **3,026** | 35 |
| of which from noncontrolling interests without significant economic interest | 2 | 7 | 5 | (71) | (60) | 23 | 22 | 5 |
| **Loss before taxes** | **(2,595)** | **(852)** | **(1,322)** | 205 | 96 | **(5,459)** | **(2,652)** | 106 |
| of which from noncontrolling interests without significant economic interest | (2) | 4 | 15 | – | – | 4 | (11) | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 1,830 | 1,840 | 3,200 | (1) | (43) | 1,830 | 3,200 | (43) |

### Capital and leverage metrics

As of the end of 4Q16, we reported risk-weighted assets of USD 44.4 billion, a decrease of USD 10.5 billion and USD 28.8 billion compared to the end of 3Q16 and 4Q15, respectively. Leverage exposure was USD 103.4 billion as of the end of 4Q16, reflecting a decrease of USD 15.2 billion and USD 67.0 billion compared to the end of 3Q16 and 4Q15, respectively. In 4Q16, risk-weighted assets and leverage exposure reductions were achieved through a broad range of transactions, including the sale of loan portfolios, and a large number of unwinds and compressions across global macro products and credit derivative products.

In 4Q16, certain derivative positions in the Strategic Resolution Unit received regulatory approval to apply updated capital models and as a result were transferred to our Global Markets division. Additionally, the division completed the sale to an institutional investor of a significant portfolio of senior loans to certain global private equity and asset management companies and the Global Markets division entered into a co-investment agreement with such institutional investor. Pursuant to the terms of this transaction, Global Markets will, among other things, originate new loan facilities and hold a minority interest in the transferred loans and any newly originated facilities. The combined impact on risk-weighted assets and leverage exposure for Global Markets was USD 3 billion and USD 8 billion, respectively.

## Divisional results (continued)

| | | | in | % change | | | in | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Restructuring of select onshore businesses | 9 | 16 | 178 | (44) | (95) | 154 | 757 | (80) |
| Legacy cross-border and small markets businesses | 41 | 46 | 68 | (11) | (40) | 194 | 291 | (33) |
| Restructuring of former Asset Management division | (34) | 2 | (64) | – | (47) | (90) | (109) | (17) |
| Legacy investment banking portfolio | (154) | (171) | (282) | (10) | (45) | (1,253) | (281) | 346 |
| Legacy funding costs | (69) | (75) | (68) | (8) | 1 | (315) | (251) | 25 |
| Other | 5 | 6 | 22 | (17) | (77) | 12 | 93 | (87) |
| Noncontrolling interests without significant economic interest | 0 | 11 | 20 | (100) | (100) | 27 | 11 | 145 |
| **Net revenues** | **(202)** | **(165)** | **(126)** | 22 | 60 | **(1,271)** | **511** | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 80,297 | 77,581 | 100,823 | 4 | (20) | 80,297 | 100,823 | (20) |
| Risk-weighted assets | 45,441 | 53,268 | 72,424 | (15) | (37) | 45,441 | 72,424 | (37) |
| Risk-weighted assets (USD) | 44,425 | 54,949 | 73,218 | (19) | (39) | 44,425 | 73,218 | (39) |
| Leverage exposure | 105,768 | 115,008 | 168,544 | (8) | (37) | 105,768 | 168,544 | (37) |
| Leverage exposure (USD) | 103,402 | 118,638 | 170,393 | (13) | (39) | 103,402 | 170,393 | (39) |

## Reconciliation of adjusted results

| | | | | Strategic Resolution Unit | |
|---|---|---|---|---|---|
| in | **4Q16** | 3Q16 | 4Q15 | **2016** | 2015 |
| **Adjusted results (CHF million)** | | | | | |
| **Net revenues** | **(202)** | **(165)** | **(126)** | **(1,271)** | **511** |
| Real estate gains | (4) | 0 | 0 | (4) | 0 |
| Losses on business sales | 2 | 0 | 0 | 6 | 0 |
| **Adjusted net revenues** | **(204)** | **(165)** | **(126)** | **(1,269)** | **511** |
| **Provision for credit losses** | **28** | **5** | **100** | **111** | **137** |
| **Total operating expenses** | **2,365** | **682** | **1,096** | **4,077** | **3,026** |
| Restructuring expenses | (1) | (21) | (156) | (121) | (156) |
| Major litigation provisions | (2,075) | (318) | (255) | (2,393) | (290) |
| **Adjusted total operating expenses** | **289** | **343** | **685** | **1,563** | **2,580** |
| **Loss before taxes** | **(2,595)** | **(852)** | **(1,322)** | **(5,459)** | **(2,652)** |
| Total adjustments | 2,074 | 339 | 411 | 2,516 | 446 |
| **Adjusted loss before taxes** | **(521)** | **(513)** | **(911)** | **(2,943)** | **(2,206)** |

Adjusted results are non-GAAP financial measures. Refer to "Adjusted results" in the Appendix for further information.

## RESULTS

### Net revenues

We reported negative net revenues of CHF 202 million in 4Q16 compared to negative net revenues of CHF 165 million in 3Q16 and CHF 126 million in 4Q15. Compared to 3Q16, the movement was primarily driven by lower fees and commissions and exit costs relating to the restructuring of our former Asset Management division. Compared to 4Q15, the movement was primarily driven by lower revenues from the restructuring of select onshore businesses, in particular the transfer of our US private banking business, which was announced in October 2015, and higher overall funding costs, partially offset by lower negative valuation adjustments on the legacy investment banking portfolio. Valuation adjustments in 4Q16 primarily reflected mark-to-market losses on the legacy investment banking portfolio, including our distressed credit and emerging markets loan portfolio.

### Provision for credit losses

In 4Q16, there was a provision for credit losses of CHF 28 million, primarily reflecting an increase in provisions relating to ship finance transactions. This compares to a provision for credit losses of CHF 5 million in 3Q16 and a provision for credit losses of CHF 100 million in 4Q15, the latter primarily related to the restructuring of select onshore businesses.

### Total operating expenses

Total operating expenses of CHF 2,365 million increased CHF 1,683 million compared to 3Q16, reflecting significant litigation provisions of CHF 2,088 million primarily related to the RMBS settlement, partially offset by lower restructuring and compensation-related expenses as a result of various cost reduction initiatives. Compared to 4Q15, total operating expenses increased CHF 1,269 million, primarily driven by higher litigation provisions reflecting the RMBS settlement, partially offset by lower restructuring expenses and compensation and benefits, primarily due to the transfer of our US private banking business, and the further wind down of our legacy investment banking business. Total operating expenses in 4Q16 included costs of CHF 47 million to meet requirements related to the settlements with US authorities regarding US cross-border matters. Adjusted total operating expenses were CHF 289 million in 4Q16, compared to CHF 343 million in 3Q16 and CHF 685 million in 4Q15, a decline of 16% and 58%, respectively.

# Corporate Center

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

## Corporate Center results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY | **2016** | 2015 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Treasury results | (75) | 68 | (115) | – | (35) | (160) | 69 | – |
| Fair value gains/(losses) from movements in own credit spreads [1] | 0 | 0 | (697) | – | 100 | 0 | 298 | (100) |
| Other | 59 | 4 | 64 | – | (8) | 231 | 194 | 19 |
| **Net revenues** | **(16)** | **72** | **(748)** | – | (98) | **71** | **561** | (87) |
| **Provision for credit losses** | **0** | **0** | **(2)** | – | 100 | **(1)** | **(1)** | 0 |
| Compensation and benefits | 122 | 185 | 134 | (34) | (9) | 277 | 351 | (21) |
| General and administrative expenses | 101 | 89 | 142 | 13 | (29) | 399 | 465 | (14) |
| Commission expenses | 32 | 5 | 31 | – | 3 | 76 | 46 | 65 |
| Restructuring expenses | 7 | 0 | 0 | – | – | 7 | 0 | – |
| Total other operating expenses | 140 | 94 | 173 | 49 | (19) | 482 | 511 | (6) |
| **Total operating expenses** | **262** | **279** | **307** | (6) | (15) | **759** | **862** | (12) |
| **Loss before taxes** | **(278)** | **(207)** | **(1,053)** | 34 | (74) | **(687)** | **(300)** | 129 |
| **Expense allocation to divisions (CHF million)** | | | | | | | | |
| Compensation and benefits | 719 | 745 | 742 | (3) | (3) | 2,571 | 2,571 | 0 |
| General and administrative expenses | 771 | 706 | 1,017 | 9 | (24) | 2,978 | 3,439 | (13) |
| Commission expenses | 32 | 5 | 31 | – | 3 | 76 | 46 | 65 |
| Restructuring expenses | 24 | 26 | 106 | (8) | (77) | 166 | 106 | 57 |
| Total other operating expenses | 827 | 737 | 1,154 | 12 | (28) | 3,220 | 3,591 | (10) |
| **Total operating expenses before allocation to divisions** | **1,546** | **1,482** | **1,896** | 4 | (18) | **5,791** | **6,162** | (6) |
| Net allocation to divisions | 1,284 | 1,203 | 1,589 | 7 | (19) | 5,032 | 5,300 | (5) |
| of which Swiss Universal Bank | 279 | 239 | 377 | 17 | (26) | 1,021 | 1,217 | (16) |
| of which International Wealth Management | 210 | 195 | 235 | 8 | (11) | 789 | 798 | (1) |
| of which Asia Pacific | 161 | 185 | 170 | (13) | (5) | 669 | 648 | 3 |
| of which Global Markets | 444 | 397 | 522 | 12 | (15) | 1,732 | 1,698 | 2 |
| of which Investment Banking & Capital Markets | 72 | 70 | 85 | 3 | (15) | 279 | 262 | 6 |
| of which Strategic Resolution Unit | 118 | 117 | 200 | 1 | (41) | 542 | 677 | (20) |
| **Total operating expenses** | **262** | **279** | **307** | (6) | (15) | **759** | **862** | (12) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 62,385 | 62,007 | 64,621 | 1 | (3) | 62,385 | 64,621 | (3) |
| Risk-weighted assets [2] | 17,338 | 16,756 | 18,467 | 3 | (6) | 17,338 | 18,467 | (6) |
| Leverage exposure [2] | 59,374 | 59,154 | 63,090 | 0 | (6) | 59,374 | 63,090 | (6) |

[1] We early adopted certain sections of ASU 2016-01 which require that changes in fair value relating to the instrument-specific credit risk of fair value option-elected financial liabilities be presented separately in accumulated other comprehensive income. Therefore, fair value gains or losses from movements in own credit spreads are no longer recorded in the Corporate Center beginning in 1Q16.

[2] Disclosed on a look-through basis.

Corporate services and business support, including in finance, human resources, legal, compliance, risk management and IT, are provided by corporate functions and the related costs are allocated to the segments and the Corporate Center based on their requirements and other relevant measures. Beginning in 4Q16, responsibility for the management of certain segment-specific IT infrastructure and operations costs was transferred directly to the segments resulting in lower expense allocations from the Corporate Center to the segments. Prior periods for Corporate Center-related expense allocations have been restated to conform to the current presentation.

**4Q16 results**

In 4Q16, Corporate Center recorded a loss before taxes of CHF 278 million compared to CHF 207 million in 3Q16 and CHF 1,053 million in 4Q15. Compensation and benefits mainly reflected fair value adjustments on certain deferred compensation plans not allocated to the segments and, following their final allocation in 3Q16, certain deferred compensation retention awards relating to Global Markets and Investment Banking & Capital Markets, which are intended to support the restructuring of the Group through the end of 2017. General and administrative expenses primarily reflected costs associated with the evolution of our legal entity structure to meet developing and future regulatory requirements. Other revenues include required elimination adjustments associated with trading in own shares.

**2016 results**

In 2016, Corporate Center recorded a loss before taxes of CHF 687 million compared to CHF 300 million in 2015. Compensation and benefits mainly reflected fair value adjustments on certain deferred compensation plans not allocated to the segments and certain deferred compensation retention awards relating to Global Markets and Investment Banking & Capital Markets, which are intended to support the restructuring of the Group through the end of 2017. General and administrative expenses primarily reflected costs associated with the evolution of our legal entity structure to meet developing and future regulatory requirements. Other revenues include required elimination adjustments associated with trading in own shares.

# Assets under management

As of the end of 4Q16, assets under management were CHF 1,252.5 billion, stable compared to the end of 3Q16. As of the end of 2016, assets under management were 3.2% higher compared to the end of 2015, with net asset inflows of CHF 27.8 billion.

## Assets under management

| | | | end of | % change | |
|---|---|---|---|---|---|
| | **4Q16** | 3Q16 | 4Q15 | QoQ | YoY |
| **Assets under management (CHF billion)** | | | | | |
| Swiss Universal Bank – Private Banking | 242.9 | 244.5 | 241.0 | (0.7) | 0.8 |
| Swiss Universal Bank – Corporate & Institutional Banking | 288.6 | 284.6 | 275.8 | 1.4 | 4.6 |
| International Wealth Management – Private Banking | 323.2 | 311.4 | 289.6 | 3.8 | 11.6 |
| International Wealth Management – Asset Management | 321.6 | 324.3 | 321.3 | (0.8) | 0.1 |
| Asia Pacific – Private Banking | 168.3 | 169.0 | 150.4 | (0.4) | 11.9 |
| Strategic Resolution Unit | 13.7 | 17.8 | 27.3 | (23.0) | (49.8) |
| Assets managed across businesses [1] | (105.8) | (96.4) | (91.3) | 9.8 | 15.9 |
| **Assets under management** | **1,252.5** | **1,255.2** | **1,214.1** | **(0.2)** | **3.2** |
| of which discretionary assets | 404.2 | 411.2 | 410.1 | (1.7) | (1.4) |
| of which advisory assets | 848.3 | 844.0 | 804.0 | 0.5 | 5.5 |

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

## Net new assets

| in | **4Q16** | **3Q16** | **4Q15** | **2016** | **2015** |
|---|---|---|---|---|---|
| **Net new assets (CHF billion)** | | | | | |
| Swiss Universal Bank – Private Banking | (3.5) | 0.2 | (2.9) | (1.7) | 3.2 |
| Swiss Universal Bank – Corporate & Institutional Banking | 2.5 | (1.2) | 4.2 | 4.3 | 10.6 |
| International Wealth Managment – Private Banking | 0.4 | 4.4 | (4.2) | 15.6 | (3.0) |
| International Wealth Managment – Asset Management [1] | (4.4) | 5.0 | 3.6 | 5.6 | 26.5 |
| Asia Pacific – Private Banking | 0.7 | 4.6 | 3.0 | 14.6 | 17.8 |
| Strategic Resolution Unit | (2.9) | (1.9) | (2.3) | (8.5) | (4.0) |
| Assets managed across businesses [2] | 0.5 | 0.8 | 0.7 | (2.1) | (4.2) |
| Net new assets | **(6.7)** | **11.9** | **2.1** | **27.8** | **46.9** |

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

### 4Q16 results

As of the end of 4Q16, we reported assets under management of CHF 1,252.5 billion, a decrease of CHF 2.7 billion compared to the end of 3Q16. The decrease was primarily due to unfavorable market movements and net asset outflows of CHF 6.7 billion, partially offset by favorable foreign exchange-related movements.

Net asset outflows of CHF 6.7 billion in 4Q16 were primarily driven by money market outflows from an emerging market joint venture in the Asset Management business of International Wealth Management, outflows due to terminated relationships with certain external asset managers and the regularization of client assets in the Private Banking business of Swiss Universal Bank and outflows due to the wind-down of operations in the Strategic Resolution Unit.

### 2016 results

As of the end of 2016, assets under management were CHF 1,252.5 billion, an increase of CHF 38.4 billion compared to the end of 2015. The increase was mainly driven by net new assets of CHF 27.8 billion, favorable foreign exchange-related and market movements, partially offset by structural effects, mainly from an adjustment of assets under management reported for multi-asset class solutions in 1Q16 in the Asset Management business of International Wealth Management and the exit of certain markets in the Strategic Resolutions Unit.

Net new assets of CHF 27.8 billion in 2016 were mainly driven by inflows from emerging markets and Europe in the Private Banking business of International Wealth Management and inflows primarily from Greater China and Australia in the Private Banking business of Asia Pacific, partially offset by outflows related to the wind-down of operations in the Strategic Resolution Unit.

▸ Refer to “Swiss Universal Bank”, “International Wealth Management” and “Asia Pacific”.

# Additional financial metrics

**Balance sheet**
As of the end of 4Q16, total assets of CHF 819.8 billion increased 2% compared to 3Q16, reflecting the foreign exchange translation impact, partially offset by a decrease in operating activities. Excluding the foreign exchange translation impact, total assets decreased CHF 13.4 billion.

**Range of reasonably possible losses related to certain legal proceedings**
The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for certain proceedings for which the Group believes an estimate is possible was zero to CHF 1.4 billion as of the end of 4Q16.

**Total shareholders' equity**
Credit Suisse's total shareholders' equity decreased from CHF 44.3 billion as of the end of 3Q16 to CHF 42.2 billion as of the end of 4Q16. Total shareholders' equity was negatively impacted by a net loss attributable to shareholders and losses on fair value elected liabilities relating to credit risk. These movements were partially offset by positive foreign exchange-related movements on cumulative translation adjustments and an increase in the share-based compensation obligation.

**Liquidity coverage ratio**
Our average liquidity coverage ratio was 202% for 4Q16. The ratio reflects a conservative liquidity position leading up to the final settlement with the DOJ related to our legacy RMBS business and our efforts to ensure that Group entities meet applicable local liquidity requirements.

**Capital metrics**
The CET1 ratio was 13.6% as of the end of 4Q16 compared to 14.1% as of the end of 3Q16, reflecting lower CET1 capital and slightly lower risk-weighted assets. Credit Suisse's tier 1 ratio was 18.1% as of the end of 4Q16 compared to 18.3% as of the end of 3Q16. The total capital ratio was 20.6% as of the end of 4Q16 compared to 20.8% as of the end of 3Q16.

CET1 capital was CHF 36.9 billion as of the end of 4Q16 compared to CHF 38.6 billion as of the end of 3Q16, mainly reflecting the net loss attributable to shareholders and a net regulatory impact of losses on fair-valued financial liabilities due to changes in our own credit risk, partially offset by a positive foreign exchange impact and the net effect of share-based compensation.

Total eligible capital was CHF 56.0 billion as of the end of 4Q16 compared to CHF 57.0 billion as of the end of 3Q16, reflecting decreases in CET1 capital and tier 2 capital, partially offset by an increase in additional tier 1 capital.

Risk-weighted assets decreased 1% to CHF 271.4 billion as of the end of 4Q16 compared to CHF 273.8 billion as of the end of 3Q16, primarily driven by movements in risk levels, primarily in credit risk, partially offset by increases resulting from the foreign exchange impact.

As of the end of 4Q16, the look-through CET1 ratio was 11.6% compared to 12.0% as of the end of 3Q16. The RMBS settlement had a negative impact of approximately 90 basis points on our 4Q16 look-through CET1 ratio, reflecting the litigation provision of approximately USD 2 billion and an increase in operational risk of approximately CHF 0.7 billion, both in 4Q16.

**Leverage metrics**
The Bank for International Settlements (BIS) tier 1 leverage ratio was 5.1% as of the end of 4Q16, with a BIS CET1 component of 3.9%. On a look-through basis, the BIS tier 1 leverage ratio was 4.4% as of the end of 4Q16, with a BIS CET1 component of 3.3%. The RMBS settlement had a negative impact of approximately 20 basis points on our 4Q16 look-through CET1 leverage ratio, reflecting the litigation provision of approximately USD 2 billion in 4Q16.

The look-through leverage exposure was CHF 950.8 billion as of the end of 4Q16.

## BIS capital and leverage metrics

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | **4Q16** | 3Q16 | 4Q15 | **4Q16** | 3Q16 | 4Q15 |
| **Capital metrics (%, except where indicated)** | | | | | | |
| Risk-weighted assets (CHF billion) | 271.4 | 273.8 | 295.0 | 268.0 | 270.5 | 289.9 |
| CET1 ratio | 13.6 | 14.1 | 14.3 | 11.6 | 12.0 | 11.4 |
| Tier 1 ratio | 18.1 | 18.3 | 18.0 | 15.7 | 16.0 | 15.4 |
| Total capital ratio | 20.6 | 20.8 | 21.3 | 17.6 | 17.8 | 17.7 |
| **Leverage metrics (%, except where indicated)** | | | | | | |
| Leverage exposure (CHF billion) | 957.1 | 955.0 | 993.5 | 950.8 | 948.7 | 987.6 |
| CET1 leverage ratio | 3.9 | 4.0 | 4.2 | 3.3 | 3.4 | 3.3 |
| Tier 1 leverage ratio | 5.1 | 5.2 | 5.3 | 4.4 | 4.6 | 4.5 |

Refer to the Appendix for additional information on BIS and Swiss capital and leverage metrics.

# Important information

The Group has not finalized its 2016 Annual Report and the Group's independent registered public accounting firm has not completed its audit of the consolidated financial statements for the period. Accordingly, the financial information contained in this Earnings Release is subject to completion of year-end procedures, which may result in changes to that information. Certain reclassifications have been made to prior periods to conform to the current presentation.

For purposes of this Earnings Release, unless the context otherwise requires, the terms "Credit Suisse" and "the Group" mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the direct bank subsidiary of the Group, is substantially similar to the Group, and these terms are used to refer to both when the subject is the same or substantially similar. The term "the Bank" is used when referring to Credit Suisse AG and its consolidated subsidiaries.

Information referenced in this Earnings Release, whether via website links or otherwise, is not incorporated into this Earnings Release.

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

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

Unless otherwise noted, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments. Beginning in 2015, the Swiss leverage ratio is calculated as Swiss total eligible capital, divided by period-end leverage exposure. The look-through BIS tier 1 leverage ratio and CET1 leverage ratio are calculated as look-through BIS tier 1 capital and CET1 capital, respectively, divided by end-period leverage exposure.

Return on regulatory capital is calculated using income after tax and assumes a tax rate of 30% and capital allocated based on the worst of return on 10% of average risk-weighted assets and return on 3.5% of average leverage exposure. For Global Markets and Investment Banking & Capital Markets, return on regulatory capital is based on US dollar denominated numbers.

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

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

A summary document containing a more detailed description of the option to receive the distribution in new shares will be made available to shareholders of Credit Suisse Group on or around March 24, 2017. The conditions for the exercise of the scrip alternative, including possible restrictions to its availability to some Credit Suisse Group shareholders, will be specified in such summary document. This Earnings Release does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, securities of Credit Suisse Group nor shall it (or any part of it) or the fact of its distribution form the basis of, or be relied on in connection with, any contract therefor. This Earnings Release does not constitute a prospectus within the meaning of any applicable law. Eligible shareholders should make their decision to receive a cash distribution or to receive new shares of Credit Suisse Group as part of the 2016 distribution solely based on the terms and conditions of the 2016 distribution and the additional information contained in the relevant documents, which will be available upon publication of the invitation to the 2017 Annual General Meeting. This Earnings Release does not constitute a recommendation to shareholders to elect to receive new shares of Credit Suisse Group as part of the 2016 distribution. Eligible shareholders are furthermore advised to consult their bank, tax or financial adviser before making any decision.

The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions which is discussed above relates only to those proceedings for which the Group believes an estimate is possible and which are discussed in Note 39 to the Consolidated Financial Statements in the Group's Annual Report on Form 20-F and updated in its quarterly reports (including the Group's Annual Report on Form 20-F that is scheduled to be released on March 24, 2017). It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. For additional details, see Note 39 to the Consolidated Financial Statements in the Group's Annual Report on Form 20-F and the litigation note in each of its quarterly Financial Reports.

Investors and others should note that we announce material information (including quarterly earnings releases and financial reports) to the investing public using press releases, SEC and Swiss ad hoc filings, our website and public conference calls and webcasts. We intend to also use our Twitter account @creditsuisse (https://twitter.com/creditsuisse) to excerpt key messages from our public disclosures, including earnings releases. We may retweet such messages through certain of our regional Twitter accounts, including @csschweiz (https://twitter.com/csschweiz) and @csapac (https://twitter.com/csapac). Investors and others should take care to consider such abbreviated messages in the context of the disclosures from which they are excerpted. The information we post on these Twitter accounts is not a part of this Earnings Release.

In various tables, use of "–" indicates not meaningful or not applicable.

# Appendix

## Overview of Results

| in / end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **4Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,399** | **1,299** | **862** | **1,265** | **574** | **(16)** | **5,383** | **(202)** | **5,181** |
| **Provision for credit losses** | **34** | **6** | **11** | **(4)** | **0** | **0** | **47** | **28** | **75** |
| Compensation and benefits | 497 | 565 | 429 | 634 | 329 | 122 | 2,576 | 106 | 2,682 |
| Total other operating expenses | 486 | 397 | 319 | 630 | 96 | 140 | 2,068 | 2,259 | 4,327 |
| of which general and administrative expenses | 416 | 318 | 219 | 475 | 101 | 101 | 1,630 | 2,254 | 3,884 |
| of which restructuring expenses | (3) | 16 | 19 | 15 | (6) | 7 | 48 | 1 | 49 |
| **Total operating expenses** | **983** | **962** | **748** | **1,264** | **425** | **262** | **4,644** | **2,365** | **7,009** |
| **Income/(loss) before taxes** | **382** | **331** | **103** | **5** | **149** | **(278)** | **692** | **(2,595)** | **(1,903)** |
| Return on regulatory capital (%) | 12.2 | 27.0 | 7.6 | 0.3 | 22.9 | – | 6.6 | – | (16.0) |
| Cost/income ratio (%) | 70.3 | 74.1 | 86.8 | 99.9 | 74.0 | – | 86.3 | – | 135.3 |
| Total assets | 228,363 | 91,083 | 97,221 | 239,700 | 20,784 | 62,385 | 739,536 | 80,297 | 819,833 |
| Goodwill | 623 | 1,612 | 1,546 | 476 | 656 | 0 | 4,913 | 0 | 4,913 |
| Risk-weighted assets [1] | 65,669 | 35,252 | 34,605 | 51,713 | 18,027 | 17,338 | 222,604 | 45,441 | 268,045 |
| Leverage exposure [1] | 252,889 | 94,092 | 108,926 | 284,143 | 45,571 | 59,374 | 844,995 | 105,768 | 950,763 |
| **3Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,667** | **1,081** | **917** | **1,357** | **467** | **72** | **5,561** | **(165)** | **5,396** |
| **Provision for credit losses** | **30** | **0** | **34** | **(5)** | **(9)** | **0** | **50** | **5** | **55** |
| Compensation and benefits | 474 | 513 | 413 | 642 | 313 | 185 | 2,540 | 134 | 2,674 |
| Total other operating expenses | 405 | 323 | 318 | 633 | 124 | 94 | 1,897 | 548 | 2,445 |
| of which general and administrative expenses | 320 | 256 | 224 | 466 | 109 | 89 | 1,464 | 514 | 1,978 |
| of which restructuring expenses | 19 | 15 | 23 | 52 | 15 | 0 | 124 | 21 | 145 |
| **Total operating expenses** | **879** | **836** | **731** | **1,275** | **437** | **279** | **4,437** | **682** | **5,119** |
| **Income/(loss) before taxes** | **758** | **245** | **152** | **87** | **39** | **(207)** | **1,074** | **(852)** | **222** |
| Return on regulatory capital (%) | 24.7 | 20.5 | 11.3 | 2.5 | 6.1 | – | 10.4 | – | 1.8 |
| Cost/income ratio (%) | 52.7 | 77.3 | 79.7 | 94.0 | 93.6 | – | 79.8 | – | 94.9 |
| Total assets | 222,164 | 86,457 | 93,079 | 245,492 | 19,931 | 62,007 | 729,130 | 77,581 | 806,711 |
| Goodwill | 607 | 1,532 | 1,500 | 457 | 629 | 0 | 4,725 | 0 | 4,725 |
| Risk-weighted assets [1] | 65,571 | 33,457 | 32,264 | 51,127 | 18,019 | 16,756 | 217,194 | 53,268 | 270,462 |
| Leverage exposure [1] | 246,254 | 88,899 | 108,495 | 286,694 | 44,240 | 59,154 | 833,736 | 115,008 | 948,744 |
| **4Q15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,495** | **1,173** | **826** | **1,170** | **420** | **(748)** | **4,336** | **(126)** | **4,210** |
| **Provision for credit losses** | **43** | **(7)** | **3** | **(4)** | **0** | **(2)** | **33** | **100** | **133** |
| Compensation and benefits | 535 | 540 | 390 | 924 | 367 | 134 | 2,890 | 259 | 3,149 |
| Total other operating expenses | 553 | 664 | 1,050 | 3,562 | 530 | 173 | 6,532 | 837 | 7,369 |
| of which general and administrative expenses | 438 | 568 | 225 | 667 | 128 | 142 | 2,168 | 640 | 2,808 |
| of which goodwill impairment | 0 | 0 | 756 | 2,661 | 380 | 0 | 3,797 | 0 | 3,797 |
| of which restructuring expenses | 42 | 36 | 3 | 96 | 22 | 0 | 199 | 156 | 355 |
| **Total operating expenses** | **1,088** | **1,204** | **1,440** | **4,486** | **897** | **307** | **9,422** | **1,096** | **10,518** |
| **Income/(loss) before taxes** | **364** | **(24)** | **(617)** | **(3,312)** | **(477)** | **(1,053)** | **(5,119)** | **(1,322)** | **(6,441)** |
| Return on regulatory capital (%) | 12.3 | (1.9) | (49.7) | (90.3) | (85.4) | – | (49.0) | – | (50.7) |
| Cost/income ratio (%) | 72.8 | 102.6 | 174.3 | 383.4 | 213.6 | – | 217.3 | – | 249.8 |
| Total assets | 220,359 | 96,085 | 85,929 | 234,276 | 18,712 | 64,621 | 719,982 | 100,823 | 820,805 |
| Goodwill | 610 | 1,573 | 1,522 | 464 | 639 | 0 | 4,808 | 0 | 4,808 |
| Risk-weighted assets [1] | 60,352 | 32,880 | 26,835 | 62,838 | 16,150 | 18,467 | 217,522 | 72,424 | 289,946 |
| Leverage exposure [1] | 238,180 | 101,628 | 98,632 | 276,656 | 40,898 | 63,090 | 819,084 | 168,544 | 987,628 |

[1] Disclosed on a look-through basis.

## Overview of Results (continued)

| in / end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **2016 (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,759** | **4,698** | **3,597** | **5,497** | **1,972** | **71** | **21,594** | **(1,271)** | **20,323** |
| **Provision for credit losses** | **79** | **20** | **26** | **(3)** | **20** | **(1)** | **141** | **111** | **252** |
| Compensation and benefits | 1,937 | 2,119 | 1,665 | 2,725 | 1,237 | 277 | 9,960 | 612 | 10,572 |
| Total other operating expenses | 1,718 | 1,438 | 1,181 | 2,727 | 454 | 482 | 8,000 | 3,465 | 11,465 |
| of which general and administrative expenses | 1,375 | 1,145 | 836 | 2,001 | 424 | 399 | 6,180 | 3,290 | 9,470 |
| of which restructuring expenses | 60 | 54 | 53 | 217 | 28 | 7 | 419 | 121 | 540 |
| **Total operating expenses** | **3,655** | **3,557** | **2,846** | **5,452** | **1,691** | **759** | **17,960** | **4,077** | **22,037** |
| **Income/(loss) before taxes** | **2,025** | **1,121** | **725** | **48** | **261** | **(687)** | **3,493** | **(5,459)** | **(1,966)** |
| Return on regulatory capital (%) | 16.5 | 23.3 | 13.7 | 0.4 | 10.7 | – | 8.5 | – | (4.1) |
| Cost/income ratio (%) | 63.5 | 75.7 | 79.1 | 99.2 | 85.8 | – | 83.2 | – | 108.4 |
| **2015 (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,721** | **4,552** | **3,839** | **6,826** | **1,787** | **561** | **23,286** | **511** | **23,797** |
| **Provision for credit losses** | **138** | **5** | **35** | **10** | **0** | **(1)** | **187** | **137** | **324** |
| Compensation and benefits | 1,985 | 2,115 | 1,557 | 3,105 | 1,265 | 351 | 10,378 | 1,168 | 11,546 |
| Total other operating expenses | 1,923 | 1,709 | 1,870 | 5,642 | 836 | 511 | 12,491 | 1,858 | 14,349 |
| of which general and administrative expenses | 1,597 | 1,429 | 790 | 2,322 | 432 | 465 | 7,035 | 1,539 | 8,574 |
| of which goodwill impairment | 0 | 0 | 756 | 2,661 | 380 | 0 | 3,797 | 0 | 3,797 |
| of which restructuring expenses | 42 | 36 | 3 | 96 | 22 | 0 | 199 | 156 | 355 |
| **Total operating expenses** | **3,908** | **3,824** | **3,427** | **8,747** | **2,101** | **862** | **22,869** | **3,026** | **25,895** |
| **Income/(loss) before taxes** | **1,675** | **723** | **377** | **(1,931)** | **(314)** | **(300)** | **230** | **(2,652)** | **(2,422)** |
| Return on regulatory capital (%) | 13.8 | 15.4 | 6.7 | (11.2) | (15.4) | – | 0.5 | – | (4.5) |
| Cost/income ratio (%) | 68.3 | 84.0 | 89.3 | 128.1 | 117.6 | – | 98.2 | – | 108.8 |

### CORE RESULTS

In 4Q16, Core Results net revenues of CHF 5,383 million decreased 3% compared to 3Q16, primarily reflecting lower net revenues in Swiss Universal Bank and Global Markets, partially offset by higher net revenues in International Wealth Management and Investment Banking & Capital Markets. Provision for credit losses was CHF 47 million, primarily related to a net provision for credit losses of CHF 34 million in Swiss Universal Bank. Total operating expenses of CHF 4,644 million increased 5% compared to 3Q16. General and administrative expenses of CHF 1,630 million increased 11%, primarily related to Swiss Universal Bank and International Wealth Management. Compensation and benefits of CHF 2,576 million were stable compared to 3Q16. Restructuring expenses of CHF 48 million decreased 61% compared to 3Q16.

Core Results net revenues increased 24% compared to 4Q15, primarily reflecting higher net revenues in Corporate Center, Investment Banking & Capital Markets and International Wealth Management. Total operating expenses decreased 51% compared to 4Q15, which included a goodwill impairment charge of CHF 3,797 million. Compensation and benefits decreased 11%, primarily related to Global Markets. General and administrative expenses decreased 25%, primarily related to International Wealth Management and Global Markets. Total operating expenses in 4Q16 were also impacted by the restructuring expenses, which decreased 76% compared to 4Q15.

## ADJUSTED RESULTS

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

### Reconciliation of adjusted results

| in | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **4Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,399** | **1,299** | **862** | **1,265** | **574** | **(16)** | **5,383** | **(202)** | **5,181** |
| Real estate gains | (20) | (54) | 0 | 0 | 0 | 0 | (74) | (4) | (78) |
| Losses on business sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| **Net revenues adjusted** | **1,379** | **1,245** | **862** | **1,265** | **574** | **(16)** | **5,309** | **(204)** | **5,105** |
| **Provision for credit losses** | **34** | **6** | **11** | **(4)** | **0** | **0** | **47** | **28** | **75** |
| **Total operating expenses** | **983** | **962** | **748** | **1,264** | **425** | **262** | **4,644** | **2,365** | **7,009** |
| Restructuring expenses | 3 | (16) | (19) | (15) | 6 | (7) | (48) | (1) | (49) |
| Major litigation provisions | (19) | (7) | 0 | 0 | 0 | 0 | (26) | (2,075) | (2,101) |
| **Total operating expenses adjusted** | **967** | **939** | **729** | **1,249** | **431** | **255** | **4,570** | **289** | **4,859** |
| **Income/(loss) before taxes** | **382** | **331** | **103** | **5** | **149** | **(278)** | **692** | **(2,595)** | **(1,903)** |
| Total adjustments | (4) | (31) | 19 | 15 | (6) | 7 | 0 | 2,074 | 2,074 |
| **Adjusted income/(loss) before taxes** | **378** | **300** | **122** | **20** | **143** | **(271)** | **692** | **(521)** | **171** |
| Adjusted return on regulatory capital (%) | 12.1 | 24.4 | 9.0 | 0.7 | 22.0 | – | 6.6 | – | 1.4 |
| **3Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,667** | **1,081** | **917** | **1,357** | **467** | **72** | **5,561** | **(165)** | **5,396** |
| Real estate gains | (346) | 0 | 0 | 0 | 0 | 0 | (346) | 0 | (346) |
| **Net revenues adjusted** | **1,321** | **1,081** | **917** | **1,357** | **467** | **72** | **5,215** | **(165)** | **5,050** |
| **Provision for credit losses** | **30** | **0** | **34** | **(5)** | **(9)** | **0** | **50** | **5** | **55** |
| **Total operating expenses** | **879** | **836** | **731** | **1,275** | **437** | **279** | **4,437** | **682** | **5,119** |
| Restructuring expenses | (19) | (15) | (23) | (52) | (15) | 0 | (124) | (21) | (145) |
| Major litigation provisions | 0 | 19 | 0 | (7) | 0 | 0 | 12 | (318) | (306) |
| **Total operating expenses adjusted** | **860** | **840** | **708** | **1,216** | **422** | **279** | **4,325** | **343** | **4,668** |
| **Income/(loss) before taxes** | **758** | **245** | **152** | **87** | **39** | **(207)** | **1,074** | **(852)** | **222** |
| Total adjustments | (327) | (4) | 23 | 59 | 15 | 0 | (234) | 339 | 105 |
| **Adjusted income/(loss) before taxes** | **431** | **241** | **175** | **146** | **54** | **(207)** | **840** | **(513)** | **327** |
| Adjusted return on regulatory capital (%) | 14.0 | 20.1 | 12.9 | 4.1 | 8.6 | – | 8.1 | – | 2.7 |
| **4Q15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,495** | **1,173** | **826** | **1,170** | **420** | **(748)** | **4,336** | **(126)** | **4,210** |
| Fair value on own debt | – | – | – | – | – | 697 | 697 | – | 697 |
| Real estate gains | (72) | 0 | 0 | 0 | 0 | 0 | (72) | 0 | (72) |
| Gains on business sales | (23) | (11) | 0 | 0 | 0 | 0 | (34) | 0 | (34) |
| **Net revenues adjusted** | **1,400** | **1,162** | **826** | **1,170** | **420** | **(51)** | **4,927** | **(126)** | **4,801** |
| **Provision for credit losses** | **43** | **(7)** | **3** | **(4)** | **0** | **(2)** | **33** | **100** | **133** |
| **Total operating expenses** | **1,088** | **1,204** | **1,440** | **4,486** | **897** | **307** | **9,422** | **1,096** | **10,518** |
| Goodwill impairment | 0 | 0 | (756) | (2,661) | (380) | 0 | (3,797) | 0 | (3,797) |
| Restructuring expenses | (42) | (36) | (3) | (96) | (22) | 0 | (199) | (156) | (355) |
| Major litigation provisions | (25) | (228) | (6) | (50) | 0 | 0 | (309) | (255) | (564) |
| **Total operating expenses adjusted** | **1,021** | **940** | **675** | **1,679** | **495** | **307** | **5,117** | **685** | **5,802** |
| **Income/(loss) before taxes** | **364** | **(24)** | **(617)** | **(3,312)** | **(477)** | **(1,053)** | **(5,119)** | **(1,322)** | **(6,441)** |
| Total adjustments | (28) | 253 | 765 | 2,807 | 402 | 697 | 4,896 | 411 | 5,307 |
| **Adjusted income/(loss) before taxes** | **336** | **229** | **148** | **(505)** | **(75)** | **(356)** | **(223)** | **(911)** | **(1,134)** |
| Adjusted return on regulatory capital (%) | 11.4 | 18.8 | 11.7 | (13.7) | (13.8) | – | (2.1) | – | (8.9) |

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

## Reconciliation of adjusted results

| in | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **2016 (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,759** | **4,698** | **3,597** | **5,497** | **1,972** | **71** | **21,594** | **(1,271)** | **20,323** |
| Real estate gains | (366) | (54) | 0 | 0 | 0 | 0 | (420) | (4) | (424) |
| Losses on business sales | 0 | 0 | 0 | 0 | 0 | 52 | 52 | 6 | 58 |
| **Net revenues adjusted** | **5,393** | **4,644** | **3,597** | **5,497** | **1,972** | **123** | **21,226** | **(1,269)** | **19,957** |
| **Provision for credit losses** | **79** | **20** | **26** | **(3)** | **20** | **(1)** | **141** | **111** | **252** |
| **Total operating expenses** | **3,655** | **3,557** | **2,846** | **5,452** | **1,691** | **759** | **17,960** | **4,077** | **22,037** |
| Restructuring expenses | (60) | (54) | (53) | (217) | (28) | (7) | (419) | (121) | (540) |
| Major litigation provisions | (19) | 12 | 0 | (7) | 0 | 0 | (14) | (2,393) | (2,407) |
| **Total operating expenses adjusted** | **3,576** | **3,515** | **2,793** | **5,228** | **1,663** | **752** | **17,527** | **1,563** | **19,090** |
| **Income/(loss) before taxes** | **2,025** | **1,121** | **725** | **48** | **261** | **(687)** | **3,493** | **(5,459)** | **(1,966)** |
| Total adjustments | (287) | (12) | 53 | 224 | 28 | 59 | 65 | 2,516 | 2,581 |
| **Adjusted income/(loss) before taxes** | **1,738** | **1,109** | **778** | **272** | **289** | **(628)** | **3,558** | **(2,943)** | **615** |
| Adjusted return on regulatory capital (%) | 14.2 | 23.1 | 14.8 | 2.0 | 11.9 | – | 8.6 | – | 1.3 |
| **2015 (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,721** | **4,552** | **3,839** | **6,826** | **1,787** | **561** | **23,286** | **511** | **23,797** |
| Fair value on own debt | – | – | – | – | – | (298) | (298) | – | (298) |
| Real estate gains | (95) | 0 | 0 | 0 | 0 | 0 | (95) | 0 | (95) |
| Gains on business sales | (23) | (11) | 0 | 0 | 0 | 0 | (34) | 0 | (34) |
| **Net revenues adjusted** | **5,603** | **4,541** | **3,839** | **6,826** | **1,787** | **263** | **22,859** | **511** | **23,370** |
| **Provision for credit losses** | **138** | **5** | **35** | **10** | **0** | **(1)** | **187** | **137** | **324** |
| **Total operating expenses** | **3,908** | **3,824** | **3,427** | **8,747** | **2,101** | **862** | **22,869** | **3,026** | **25,895** |
| Goodwill impairment | 0 | 0 | (756) | (2,661) | (380) | 0 | (3,797) | 0 | (3,797) |
| Restructuring expenses | (42) | (36) | (3) | (96) | (22) | 0 | (199) | (156) | (355) |
| Major litigation provisions | (25) | (268) | (6) | (231) | 0 | 0 | (530) | (290) | (820) |
| **Total operating expenses adjusted** | **3,841** | **3,520** | **2,662** | **5,759** | **1,699** | **862** | **18,343** | **2,580** | **20,923** |
| **Income/(loss) before taxes** | **1,675** | **723** | **377** | **(1,931)** | **(314)** | **(300)** | **230** | **(2,652)** | **(2,422)** |
| Total adjustments | (51) | 293 | 765 | 2,988 | 402 | (298) | 4,099 | 446 | 4,545 |
| **Adjusted income/(loss) before taxes** | **1,624** | **1,016** | **1,142** | **1,057** | **88** | **(598)** | **4,329** | **(2,206)** | **2,123** |
| Adjusted return on regulatory capital (%) | 13.4 | 21.7 | 20.4 | 6.7 | 4.6 | – | 10.0 | – | 4.0 |

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

## Core Results by business activity

| in | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | 4Q16 Core Results | 3Q16 Core Results | 4Q15 Core Results |
|---|---|---|---|---|---|---|---|---|---|
| **Related to private banking (CHF million)** | | | | | | | | | |
| Net revenues | 858 | 918 | 372 | – | – | – | 2,148 | 2,295 | 2,042 |
| of which net interest income | 454 | 353 | 166 | – | – | – | 973 | 931 | 871 |
| of which recurring | 253 | 277 | 92 | – | – | – | 622 | 577 | 600 |
| of which transaction-based | 131 | 235 | 114 | – | – | – | 480 | 442 | 483 |
| Provision for credit losses | 10 | 6 | 9 | – | – | – | 25 | 51 | 2 |
| Total operating expenses | 654 | 684 | 267 | – | – | – | 1,605 | 1,438 | 1,886 |
| **Income before taxes** | **194** | **228** | **96** | **–** | **–** | **–** | **518** | **806** | **154** |
| **Related to corporate & institutional banking** | | | | | | | | | |
| Net revenues | 541 | – | – | – | – | – | 541 | 507 | 532 |
| of which net interest income | 291 | – | – | – | – | – | 291 | 278 | 288 |
| of which recurring | 125 | – | – | – | – | – | 125 | 118 | 116 |
| of which transaction-based | 139 | – | – | – | – | – | 139 | 124 | 128 |
| Provision for credit losses | 24 | – | – | – | – | – | 24 | 17 | 29 |
| Total operating expenses | 329 | – | – | – | – | – | 329 | 276 | 304 |
| **Income before taxes** | **188** | **–** | **–** | **–** | **–** | **–** | **188** | **214** | **199** |
| **Related to investment banking** | | | | | | | | | |
| Net revenues | – | – | 490 | 1,265 | 574 | – | 2,329 | 2,395 | 2,145 |
| of which fixed income sales and trading | – | – | 70 | 567 | – | – | 637 | 902 | 498 |
| of which equity sales and trading | – | – | 340 | 508 | – | – | 848 | 690 | 973 |
| of which underwriting and advisory [1] | – | – | 115 | 243 | 595 | – | 953 | 875 | 859 |
| Provision for credit losses | – | – | 2 | (4) | 0 | – | (2) | (18) | 4 |
| Total operating expenses | – | – | 481 | 1,264 | 425 | – | 2,170 | 2,201 | 6,595 |
| **Income/(loss) before taxes** | **–** | **–** | **7** | **5** | **149** | **–** | **161** | **212** | **(4,454)** |
| **Related to asset management** | | | | | | | | | |
| Net revenues | – | 381 | – | – | – | – | 381 | 292 | 365 |
| Total operating expenses | – | 278 | – | – | – | – | 278 | 243 | 330 |
| **Income before taxes** | **–** | **103** | **–** | **–** | **–** | **–** | **103** | **49** | **35** |
| **Related to corporate center** | | | | | | | | | |
| Net revenues | – | – | – | – | – | (16) | (16) | 72 | (748) |
| Provision for credit losses | – | – | – | – | – | 0 | 0 | 0 | (2) |
| Total operating expenses | – | – | – | – | – | 262 | 262 | 279 | 307 |
| **Loss before taxes** | **–** | **–** | **–** | **–** | **–** | **(278)** | **(278)** | **(207)** | **(1,053)** |
| **Total** | | | | | | | | | |
| Net revenues | 1,399 | 1,299 | 862 | 1,265 | 574 | (16) | 5,383 | 5,561 | 4,336 |
| Provision for credit losses | 34 | 6 | 11 | (4) | 0 | 0 | 47 | 50 | 33 |
| Total operating expenses | 983 | 962 | 748 | 1,264 | 425 | 262 | 4,644 | 4,437 | 9,422 |
| **Income/(loss) before taxes** | **382** | **331** | **103** | **5** | **149** | **(278)** | **692** | **1,074** | **(5,119)** |

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

## Core Results by business activity (continued)

| in | | | | | | | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | **Core Results** |
| **Related to private banking (CHF million)** | | | | | | | | |
| Net revenues | 3,704 | 3,371 | 1,374 | – | – | – | 8,449 | 8,098 |
| of which net interest income | 1,801 | 1,308 | 602 | – | – | – | 3,711 | 3,221 |
| of which recurring | 971 | 1,093 | 302 | – | – | – | 2,366 | 2,523 |
| of which transaction-based | 564 | 922 | 486 | – | – | – | 1,972 | 2,225 |
| Provision for credit losses | 39 | 20 | 32 | – | – | – | 91 | 72 |
| Total operating expenses | 2,471 | 2,510 | 970 | – | – | – | 5,951 | 6,266 |
| **Income before taxes** | **1,194** | **841** | **372** | **–** | **–** | **–** | **2,407** | **1,760** |
| **Related to corporate & institutional banking** | | | | | | | | |
| Net revenues | 2,055 | – | – | – | – | – | 2,055 | 2,025 |
| of which net interest income | 1,083 | – | – | – | – | – | 1,083 | 987 |
| of which recurring | 475 | – | – | – | – | – | 475 | 467 |
| of which transaction-based | 548 | – | – | – | – | – | 548 | 593 |
| Provision for credit losses | 40 | – | – | – | – | – | 40 | 89 |
| Total operating expenses | 1,184 | – | – | – | – | – | 1,184 | 1,136 |
| **Income before taxes** | **831** | **–** | **–** | **–** | **–** | **–** | **831** | **800** |
| **Related to investment banking** | | | | | | | | |
| Net revenues | – | – | 2,223 | 5,497 | 1,972 | – | 9,692 | 11,274 |
| of which fixed income sales and trading | – | – | 635 | 2,516 | – | – | 3,151 | 3,894 |
| of which equity sales and trading | – | – | 1,314 | 2,181 | – | – | 3,495 | 4,610 |
| of which underwriting and advisory [1] | – | – | 402 | 970 | 2,095 | – | 3,467 | 3,178 |
| Provision for credit losses | – | – | (6) | (3) | 20 | – | 11 | 27 |
| Total operating expenses | – | – | 1,876 | 5,452 | 1,691 | – | 9,019 | 13,459 |
| **Income/(loss) before taxes** | **–** | **–** | **353** | **48** | **261** | **–** | **662** | **(2,212)** |
| **Related to asset management** | | | | | | | | |
| Net revenues | – | 1,327 | – | – | – | – | 1,327 | 1,328 |
| Total operating expenses | – | 1,047 | – | – | – | – | 1,047 | 1,146 |
| **Income before taxes** | **–** | **280** | **–** | **–** | **–** | **–** | **280** | **182** |
| **Related to corporate center** | | | | | | | | |
| Net revenues | – | – | – | – | – | 71 | 71 | 561 |
| Provision for credit losses | – | – | – | – | – | (1) | (1) | (1) |
| Total operating expenses | – | – | – | – | – | 759 | 759 | 862 |
| **Loss before taxes** | **–** | **–** | **–** | **–** | **–** | **(687)** | **(687)** | **(300)** |
| **Total** | | | | | | | | |
| Net revenues | 5,759 | 4,698 | 3,597 | 5,497 | 1,972 | 71 | 21,594 | 23,286 |
| Provision for credit losses | 79 | 20 | 26 | (3) | 20 | (1) | 141 | 187 |
| Total operating expenses | 3,655 | 3,557 | 2,846 | 5,452 | 1,691 | 759 | 17,960 | 22,869 |
| **Income/(loss) before taxes** | **2,025** | **1,121** | **725** | **48** | **261** | **(687)** | **3,493** | **230** |

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

## BIS capital metrics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **4Q16** | 3Q16 | 4Q15 | % change QoQ | **4Q16** | 3Q16 | 4Q15 | % change QoQ |
| **Capital and risk-weighted assets (CHF million)** | | | | | | | | |
| CET1 capital | 36,881 | 38,646 | 42,072 | (5) | 31,110 | 32,362 | 32,938 | (4) |
| Tier 1 capital | 49,170 | 50,001 | 53,063 | (2) | 42,206 | 43,263 | 44,601 | (2) |
| Total eligible capital | 56,034 | 57,044 | 62,682 | (2) | 47,085 | 48,205 | 51,425 | (2) |
| Risk-weighted assets | 271,372 | 273,779 | 294,950 | (1) | 268,045 | 270,462 | 289,946 | (1) |
| **Capital ratios (%)** | | | | | | | | |
| CET1 ratio | 13.6 | 14.1 | 14.3 | – | 11.6 | 12.0 | 11.4 | – |
| Tier 1 ratio | 18.1 | 18.3 | 18.0 | – | 15.7 | 16.0 | 15.4 | – |
| Total capital ratio | 20.6 | 20.8 | 21.3 | – | 17.6 | 17.8 | 17.7 | – |

## BIS statistics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **4Q16** | 3Q16 | 4Q15 | % change QoQ | **4Q16** | 3Q16 | 4Q15 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | | | |
| **Total shareholders' equity** | **42,169** | **44,276** | **44,382** | (5) | **42,169** | **44,276** | **44,382** | (5) |
| Regulatory adjustments [1] | (694) | (481) | (459) | 44 | (694) | (481) | (459) | 44 |
| Adjustments subject to phase-in | (4,594) [2] | (5,149) | (1,851) | (11) | (10,365) | (11,433) | (10,985) | (9) |
| **CET1 capital** | **36,881** | **38,646** | **42,072** | (5) | **31,110** | **32,362** | **32,938** | (4) |
| Additional tier 1 instruments | 11,096 [3] | 10,901 | 11,663 | 2 | 11,096 | 10,901 | 11,663 | 2 |
| Additional tier 1 instruments subject to phase-out [4] | 2,899 | 2,703 | 2,616 | 7 | – | – | – | – |
| Deductions from additional tier 1 capital | (1,706) [5] | (2,249) | (3,288) | (24) | – | – | – | – |
| **Additional tier 1 capital** | **12,289** | **11,355** | **10,991** | 8 | **11,096** | **10,901** | **11,663** | 2 |
| **Tier 1 capital** | **49,170** | **50,001** | **53,063** | (2) | **42,206** | **43,263** | **44,601** | (2) |
| Tier 2 instruments | 4,879 [6] | 4,942 | 6,824 | (1) | 4,879 | 4,942 | 6,824 | (1) |
| Tier 2 instruments subject to phase-out | 2,083 | 2,197 | 2,970 | (5) | – | – | – | – |
| Deductions from tier 2 capital | (98) | (96) | (175) | 2 | – | – | – | – |
| **Tier 2 capital** | **6,864** | **7,043** | **9,619** | (3) | **4,879** | **4,942** | **6,824** | (1) |
| **Total eligible capital** | **56,034** | **57,044** | **62,682** | (2) | **47,085** | **48,205** | **51,425** | (2) |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Reflects 60% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 40% of an adjustment primarily for the accounting treatment of pension plans pursuant to phase-in requirements.
[3] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 6.0 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 5.1 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
[4] Includes hybrid capital instruments that are subject to phase-out.
[5] Includes 40% of goodwill and other intangible assets (CHF 2.0 billion) and other capital deductions, including the regulatory reversal of gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, which will be deducted from CET1 once Basel III is fully implemented.
[6] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 0.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.2 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## Capital movement – Group

| 4Q16 | Phase-in | Look-through |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **38,646** | **32,362** |
| Net loss attributable to shareholders | (2,347) | (2,347) |
| Foreign exchange impact | 962 [1] | 768 |
| Other | (380) [2] | 327 |
| **Balance at end of period** | **36,881** | **31,110** |
| **Additional tier 1 capital (CHF million)** | | |
| **Balance at beginning of period** | **11,355** | **10,901** |
| Foreign exchange impact | 500 | 428 |
| Other | 434 [3] | (233) |
| **Balance at end of period** | **12,289** | **11,096** |
| **Tier 2 capital (CHF million)** | | |
| **Balance at beginning of period** | **7,043** | **4,942** |
| Foreign exchange impact | 213 | 129 |
| Redemptions | (59) | 0 |
| Other | (333) [4] | (192) |
| **Balance at end of period** | **6,864** | **4,879** |
| **Eligible capital (CHF million)** | | |
| **Balance at end of period** | **56,034** | **47,085** |

[1] Includes US GAAP cumulative translation adjustments and the foreign exchange impact on regulatory CET1 adjustments.
[2] Includes the impact of a dividend accrual, which includes the assumption that 60% of the proposed dividend is distributed in shares, the net effect of share-based compensation and pensions and a change in other regulatory adjustments (e.g., the net regulatory impact of gains/(losses) on fair-valued financial liabilities due to changes in own credit risk, which will be deducted from CET1 once Basel III is fully implemented, and certain deferred tax assets).
[3] Includes the regulatory reversal of net losses due to changes in own credit risk on fair-valued financial liabilities.
[4] Primarily reflects negative fair value movements of tier 2 capital instruments and the impact of the prescribed amortization requirement as instruments move closer to their maturity date.

## Risk-weighted assets – Group

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Group |
|---|---|---|---|---|---|---|---|---|
| **4Q16 (CHF million)** | | | | | | | | |
| Credit risk | 52,409 | 21,460 | 19,886 | 29,523 | 15,280 | 22,028 | 16,114 | **176,700** |
| Market risk | 888 | 992 | 8,808 | 8,755 | 172 | 3,567 | 66 | **23,248** |
| Operational risk | 12,068 | 12,523 | 5,836 | 13,393 | 2,575 | 19,660 | 0 | **66,055** |
| Non-counterparty risk | 304 | 277 | 75 | 42 | 0 | 186 | 4,485 | **5,369** |
| **Risk-weighted assets – phase-in** | **65,669** | **35,252** | **34,605** | **51,713** | **18,027** | **45,441** | **20,665** | **271,372** |
| Look-through adjustment | – | – | – | – | – | – | (3,327) | **(3,327)** |
| **Risk-weighted assets – look-through** | **65,669** | **35,252** | **34,605** | **51,713** | **18,027** | **45,441** | **17,338** | **268,045** |
| **4Q15 (CHF million)** | | | | | | | | |
| Credit risk | 47,989 | 18,653 | 15,214 | 33,955 | 12,856 | 45,739 | 18,792 | **193,198** |
| Market risk | 801 | 858 | 4,744 | 15,986 | 112 | 7,129 | 169 | **29,799** |
| Operational risk | 11,240 | 13,115 | 6,812 | 12,839 | 3,182 | 19,250 | 0 | **66,438** |
| Non-counterparty risk | 322 | 254 | 65 | 58 | 0 | 306 | 4,510 | **5,515** |
| **Risk-weighted assets – phase-in** | **60,352** | **32,880** | **26,835** | **62,838** | **16,150** | **72,424** | **23,471** | **294,950** |
| Look-through adjustment | – | – | – | – | – | – | (5,004) | **(5,004)** |
| **Risk-weighted assets – look-through** | **60,352** | **32,880** | **26,835** | **62,838** | **16,150** | **72,424** | **18,467** | **289,946** |

## Risk-weighted asset movement by risk type – Group

| 4Q16 (CHF million) | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Total |
|---|---|---|---|---|---|---|---|---|
| **Credit risk** | | | | | | | | |
| **Balance at beginning of period** | **52,702** | **20,470** | **18,258** | **28,073** | **15,350** | **29,793** | **15,484** | **180,130** |
| Foreign exchange impact | 1,155 | 443 | 663 | 1,030 | 915 | 1,342 | 508 | 6,056 |
| Movements in risk levels | (3,051) | 292 | 117 | 530 | (1,077) | (8,864) | (88) | (12,141) |
| of which credit risk – book size [1] | (3,614) | (9) | (1,282) | 481 | (1,201) | (9,581) | 55 | (15,151) |
| of which credit risk – book quality [2] | 563 | 301 | 1,399 | 49 | 124 | 717 | (143) | 3,010 |
| Model and parameter updates [3] | 1,003 | 158 | (19) | 15 | (4) | (352) | 215 | 1,016 |
| Methodology and policy changes – internal [4] | 32 | (40) | 37 | (240) | 15 | 72 | 4 | (120) |
| Methodology and policy changes – external [5] | 568 | 137 | 830 | 115 | 81 | 37 | (9) | 1,759 |
| **Balance at end of period – phase-in** | **52,409** | **21,460** | **19,886** | **29,523** | **15,280** | **22,028** | **16,114** | **176,700** |
| **Market risk** | | | | | | | | |
| **Balance at beginning of period** | **574** | **431** | **8,154** | **9,330** | **123** | **4,236** | **202** | **23,050** |
| Foreign exchange impact | 17 | 17 | 228 | 382 | 4 | 123 | 2 | 773 |
| Movements in risk levels | 327 | 653 | 755 | (949) | 47 | (426) | (51) | 356 |
| Model and parameter updates [3] | (12) | (112) | (272) | 244 | (2) | (61) | (3) | (218) |
| Methodology and policy changes – internal [4] | (18) | 3 | (57) | (252) | 0 | (305) | (84) | (713) |
| **Balance at end of period – phase-in** | **888** | **992** | **8,808** | **8,755** | **172** | **3,567** | **66** | **23,248** |
| **Operational risk** | | | | | | | | |
| **Balance at beginning of period** | **11,937** | **12,289** | **5,783** | **13,679** | **2,546** | **19,000** | **0** | **65,234** |
| Model and parameter updates [3] | 100 | 202 | 40 | (329) | 22 | 660 | 0 | 695 |
| Methodology and policy changes – internal [4] | 31 | 32 | 13 | 43 | 7 | 0 | 0 | 126 |
| **Balance at end of period – phase-in** | **12,068** | **12,523** | **5,836** | **13,393** | **2,575** | **19,660** | **0** | **66,055** |
| **Non-counterparty risk** | | | | | | | | |
| **Balance at beginning of period** | **358** | **267** | **69** | **45** | **0** | **239** | **4,387** | **5,365** |
| Movements in risk levels | (54) | 10 | 6 | (3) | 0 | (53) | 98 | 4 |
| **Balance at end of period – phase-in** | **304** | **277** | **75** | **42** | **0** | **186** | **4,485** | **5,369** |
| **Total** | | | | | | | | |
| **Balance at beginning of period** | **65,571** | **33,457** | **32,264** | **51,127** | **18,019** | **53,268** | **20,073** | **273,779** |
| Foreign exchange impact | 1,172 | 460 | 891 | 1,412 | 919 | 1,465 | 510 | 6,829 |
| Movements in risk levels | (2,778) | 955 | 878 | (422) | (1,030) | (9,343) | (41) | (11,781) |
| Model and parameter updates [3] | 1,091 | 248 | (251) | (70) | 16 | 247 | 212 | 1,493 |
| Methodology and policy changes – internal [4] | 45 | (5) | (7) | (449) | 22 | (233) | (80) | (707) |
| Methodology and policy changes – external [5] | 568 | 137 | 830 | 115 | 81 | 37 | (9) | 1,759 |
| **Balance at end of period – phase-in** | **65,669** | **35,252** | **34,605** | **51,713** | **18,027** | **45,441** | **20,665** | **271,372** |
| Look-through adjustment [6] | – | – | – | – | – | – | (3,327) | (3,327) |
| **Balance at end of period – look-through** | **65,669** | **35,252** | **34,605** | **51,713** | **18,027** | **45,441** | **17,338** | **268,045** |

[1] Represents changes in portfolio size.
[2] Represents changes in average risk weighting across credit risk classes.
[3] Represents movements arising from updates to models and recalibrations of parameters.
[4] Represents internal changes impacting how exposures are treated.
[5] Represents externally prescribed regulatory changes impacting how exposures are treated.
[6] The look-through adjustment impacts only credit risk within the Corporate Center. The difference between phase-in and look-through risk-weighted assets relates to transitional arrangements such as the impact from pension assets and deferred tax assets not deducted from CET1 during the phase-in period and the transitional impact from threshold-related risk-weighted assets.

## BIS leverage metrics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | 4Q16 | 3Q16 | 4Q15 | % change QoQ | 4Q16 | 3Q16 | 4Q15 | % change QoQ |
| **Capital and leverage exposure (CHF million)** | | | | | | | | |
| CET1 capital | 36,881 | 38,646 | 42,072 | (5) | 31,110 | 32,362 | 32,938 | (4) |
| Tier 1 capital | 49,170 | 50,001 | 53,063 | (2) | 42,206 | 43,263 | 44,601 | (2) |
| Leverage exposure | 957,067 | 954,980 | 993,506 | 0 | 950,763 | 948,744 | 987,628 | 0 |
| **Leverage ratios (%)** | | | | | | | | |
| CET1 leverage ratio | 3.9 | 4.0 | 4.2 | – | 3.3 | 3.4 | 3.3 | – |
| Tier 1 leverage ratio | 5.1 | 5.2 | 5.3 | – | 4.4 | 4.6 | 4.5 | – |

## Swiss capital metrics – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | 4Q16 | 3Q16 | % change QoQ | 4Q16 | 3Q16 | % change QoQ |
| **Swiss capital and risk-weighted assets (CHF million)** | | | | | | |
| Swiss CET1 capital | 36,722 | 38,498 | (5) | 30,944 | 32,199 | (4) |
| Going concern capital | 52,697 | 54,341 | (3) | 42,738 | 43,799 | (2) |
| Gone concern capital | 26,783 | 26,541 | 1 | 26,340 | 26,915 | (2) |
| Total loss-absorbing capacity (TLAC) | 79,480 | 80,882 | (2) | 69,078 | 70,714 | (2) |
| Swiss risk-weighted assets | 272,090 | 274,513 | (1) | 268,762 | 271,159 | (1) |
| **Swiss capital ratios (%)** | | | | | | |
| Swiss CET1 ratio | 13.5 | 14.0 | – | 11.5 | 11.9 | – |
| Going concern capital ratio | 19.4 | 19.8 | – | 15.9 | 16.2 | – |
| Gone concern capital ratio | 9.8 | 9.7 | – | 9.8 | 9.9 | – |
| TLAC ratio | 29.2 | 29.5 | – | 25.7 | 26.1 | – |

## Swiss capital and risk-weighted assets – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | 4Q16 | 3Q16 | QoQ | 4Q16 | 3Q16 | QoQ |
| **Swiss capital (CHF million)** | | | | | | |
| CET1 capital – BIS | 36,881 | 38,646 | (5) | 31,110 | 32,362 | (4) |
| Swiss regulatory adjustments [1] | (159) | (148) | 7 | (166) | (163) | 2 |
| **Swiss CET1 capital** | **36,722** | **38,498** | (5) | **30,944** | **32,199** | (4) |
| Additional tier 1 high-trigger capital instruments | 6,000 | 5,793 | 4 | 6,000 | 5,793 | 4 |
| Grandfathered capital instruments | 9,975 | 10,050 | (1) | 5,794 | 5,807 | 0 |
| of which additional tier 1 low-trigger capital instruments | 5,096 | 5,108 | 0 | 5,096 | 5,108 | 0 |
| of which tier 2 high-trigger capital instruments | 698 | 699 | 0 | 698 | 699 | 0 |
| of which tier 2 low-trigger capital instruments | 4,181 | 4,243 | (1) | – | – | – |
| **Swiss additional tier 1 capital** | **15,975** | **15,843** | 1 | **11,794** | **11,600** | 2 |
| **Going concern capital** | **52,697** | **54,341** | (3) | **42,738** | **43,799** | (2) |
| Bail-in debt instruments | 22,159 | 22,672 | (2) | 22,159 | 22,672 | (2) |
| Additional tier 1 instruments subject to phase-out | 2,899 | 2,703 | 7 | – | – | – |
| Tier 2 instruments subject to phase-out | 2,083 | 2,197 | (5) | – | – | – |
| Tier 2 amortization component | 1,448 | 1,314 | 10 | – | – | – |
| Tier 2 low-trigger capital instruments | – | – | – | 4,181 | 4,243 | (1) |
| Deductions | (1,806) | (2,345) | (23) | – | – | – |
| **Gone concern capital** | **26,783** | **26,541** | 1 | **26,340** | **26,915** | (2) |
| **Total loss-absorbing capacity** | **79,480** | **80,882** | (2) | **69,078** | **70,714** | (2) |
| **Risk-weighted assets (CHF million)** | | | | | | |
| Risk-weighted assets – BIS | 271,372 | 273,779 | (1) | 268,045 | 270,462 | (1) |
| Swiss regulatory adjustments [2] | 718 | 734 | (2) | 717 | 697 | 3 |
| **Swiss risk-weighted assets** | **272,090** | **274,513** | (1) | **268,762** | **271,159** | (1) |

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Primarily includes differences in the credit risk multiplier.

## Swiss leverage metrics – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | **4Q16** | 3Q16 | % change QoQ | **4Q16** | 3Q16 | % change QoQ |
| **Swiss capital and leverage exposure (CHF million)** | | | | | | |
| Swiss CET1 capital | 36,722 | 38,498 | (5) | 30,944 | 32,199 | (4) |
| Going concern capital | 52,697 | 54,341 | (3) | 42,738 | 43,799 | (2) |
| Gone concern capital | 26,783 | 26,541 | 1 | 26,340 | 26,915 | (2) |
| Total loss-absorbing capacity | 79,480 | 80,882 | (2) | 69,078 | 70,714 | (2) |
| Leverage exposure | 957,067 | 954,980 | 0 | 950,763 | 948,744 | 0 |
| **Swiss leverage ratios (%)** | | | | | | |
| Swiss CET1 leverage ratio | 3.8 | 4.0 | – | 3.3 | 3.4 | – |
| Going concern leverage ratio | 5.5 | 5.7 | – | 4.5 | 4.6 | – |
| Gone concern leverage ratio | 2.8 | 2.8 | – | 2.8 | 2.8 | – |
| TLAC leverage ratio | 8.3 | 8.5 | – | 7.3 | 7.5 | – |

Rounding differences may occur.

## One-day, 98% risk management VaR

| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | **Total** |
|---|---|---|---|---|---|---|---|
| **Risk management VaR (CHF million)** | | | | | | | |
| **4Q16** | | | | | | | |
| Average | 13 | 23 | 6 | 2 | 13 | (30) | 27 |
| Minimum | 10 | 21 | 4 | 1 | 10 | –[1] | 24 |
| Maximum | 19 | 24 | 9 | 3 | 16 | –[1] | 31 |
| End of period | 15 | 21 | 7 | 1 | 13 | (28) | 29 |
| **3Q16** | | | | | | | |
| Average | 13 | 22 | 9 | 2 | 12 | (31) | 27 |
| Minimum | 9 | 20 | 6 | 1 | 10 | –[1] | 24 |
| Maximum | 16 | 24 | 14 | 3 | 16 | –[1] | 31 |
| End of period | 14 | 23 | 7 | 1 | 15 | (29) | 31 |
| **4Q15** | | | | | | | |
| Average | 21 | 35 | 9 | 2 | 25 | (41) | 51 |
| Minimum | 13 | 33 | 6 | 1 | 17 | –[1] | 43 |
| Maximum | 35 | 42 | 12 | 3 | 35 | –[1] | 60 |
| End of period | 17 | 40 | 9 | 1 | 31 | (42) | 56 |
| **Risk management VaR (USD million)** | | | | | | | |
| **4Q16** | | | | | | | |
| Average | 13 | 23 | 6 | 2 | 13 | (30) | 27 |
| Minimum | 10 | 21 | 3 | 1 | 10 | –[1] | 23 |
| Maximum | 19 | 24 | 9 | 3 | 17 | –[1] | 32 |
| End of period | 15 | 21 | 6 | 1 | 13 | (28) | 28 |
| **3Q16** | | | | | | | |
| Average | 14 | 22 | 9 | 2 | 12 | (31) | 28 |
| Minimum | 9 | 21 | 6 | 1 | 10 | –[1] | 24 |
| Maximum | 16 | 25 | 14 | 3 | 17 | –[1] | 32 |
| End of period | 14 | 24 | 7 | 1 | 16 | (30) | 32 |
| **4Q15** | | | | | | | |
| Average | 22 | 35 | 9 | 2 | 25 | (42) | 51 |
| Minimum | 13 | 32 | 6 | 1 | 18 | –[1] | 44 |
| Maximum | 35 | 42 | 12 | 3 | 35 | –[1] | 61 |
| End of period | 17 | 40 | 9 | 1 | 32 | (42) | 57 |

Excludes risks associated with counterparty and own credit exposures.
[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

## Consolidated statements of operations

| in | **4Q16** | 3Q16 | 4Q15 | **2016** | 2015 |
|---|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | | |
| Interest and dividend income | 3,810 | 4,222 | 4,526 | 17,374 | 19,341 |
| Interest expense | (2,188) | (2,292) | (2,332) | (9,812) | (10,042) |
| Net interest income | 1,622 | 1,930 | 2,194 | 7,562 | 9,299 |
| Commissions and fees | 2,941 | 2,680 | 2,914 | 11,092 | 12,044 |
| Trading revenues | 258 | 232 | (1,349) | 313 | 1,340 |
| Other revenues | 360 | 554 | 451 | 1,356 | 1,114 |
| **Net revenues** | **5,181** | **5,396** | **4,210** | **20,323** | **23,797** |
| **Provision for credit losses** | **75** | **55** | **133** | **252** | **324** |
| Compensation and benefits | 2,682 | 2,674 | 3,149 | 10,572 | 11,546 |
| General and administrative expenses | 3,884 | 1,978 | 2,808 | 9,470 | 8,574 |
| Commission expenses | 394 | 322 | 409 | 1,455 | 1,623 |
| Goodwill impairment | 0 | 0 | 3,797 | 0 | 3,797 |
| Restructuring expenses | 49 | 145 | 355 | 540 | 355 |
| Total other operating expenses | 4,327 | 2,445 | 7,369 | 11,465 | 14,349 |
| **Total operating expenses** | **7,009** | **5,119** | **10,518** | **22,037** | **25,895** |
| **Income/(loss) before taxes** | **(1,903)** | **222** | **(6,441)** | **(1,966)** | **(2,422)** |
| Income tax expense/(benefit) | 442 | 185 | (627) | 469 | 523 |
| **Net income/(loss)** | **(2,345)** | **37** | **(5,814)** | **(2,435)** | **(2,945)** |
| Net income/(loss) attributable to noncontrolling interests | 2 | (4) | 14 | 3 | (1) |
| **Net income/(loss) attributable to shareholders** | **(2,347)** | **41** | **(5,828)** | **(2,438)** | **(2,944)** |
| **Earnings/(loss) per share (CHF)** | | | | | |
| Basic earnings/(loss) per share | (1.12) | 0.02 | (3.28) | (1.19) | (1.73) |
| Diluted earnings/(loss) per share | (1.12) | 0.02 | (3.28) | (1.19) | (1.73) |

## Consolidated balance sheets

| end of | **4Q16** | 3Q16 | 4Q15 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | 121,161 | 104,972 | 92,328 |
| Interest-bearing deposits with banks | 772 | 827 | 867 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 134,839 | 114,793 | 123,049 |
| Securities received as collateral, at fair value | 32,564 | 27,707 | 28,511 |
| Trading assets, at fair value | 165,150 | 183,870 | 190,737 |
| Investment securities | 2,489 | 2,377 | 3,090 |
| Other investments | 6,777 | 6,012 | 7,021 |
| Net loans | 275,976 | 274,606 | 272,995 |
| Premises and equipment | 4,711 | 4,640 | 4,644 |
| Goodwill | 4,913 | 4,725 | 4,808 |
| Other intangible assets | 213 | 192 | 196 |
| Brokerage receivables | 33,431 | 39,392 | 34,542 |
| Other assets | 36,837 | 42,598 | 58,017 |
| **Total assets** | **819,833** | **806,711** | **820,805** |
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 22,800 | 21,964 | 21,054 |
| Customer deposits | 355,833 | 345,148 | 342,705 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 33,016 | 32,261 | 46,598 |
| Obligation to return securities received as collateral, at fair value | 32,564 | 27,707 | 28,511 |
| Trading liabilities, at fair value | 44,930 | 47,893 | 48,971 |
| Short-term borrowings | 15,385 | 11,600 | 8,657 |
| Long-term debt | 193,315 | 195,455 | 197,608 |
| Brokerage payables | 39,852 | 42,188 | 39,452 |
| Other liabilities | 39,555 | 37,738 | 42,231 |
| **Total liabilities** | **777,250** | **761,954** | **775,787** |
| Common shares | 84 | 84 | 78 |
| Additional paid-in capital | 32,131 | 31,925 | 31,925 |
| Retained earnings | 26,226 | 28,573 | 29,139 |
| Treasury shares, at cost | 0 | (18) | (125) |
| Accumulated other comprehensive income/(loss) | (16,272) | (16,288) | (16,635) |
| **Total shareholders' equity** | **42,169** | **44,276** | **44,382** |
| Noncontrolling interests | 414 | 481 | 636 |
| **Total equity** | **42,583** | **44,757** | **45,018** |
| **Total liabilities and equity** | **819,833** | **806,711** | **820,805** |

## Consolidated statements of changes in equity

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **4Q16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **84** | **31,925** | **28,573** | **(18)** | **(16,288)** | **44,276** | **481** | **44,757** |
| Purchases of subsidiary shares from non-controlling interests, changing ownership | – | (13) | – | – | – | (13) | (6) | (19) |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (38) | (38) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 20 | 20 |
| Net income/(loss) | – | – | (2,347) | – | – | (2,347) | 2 | (2,345) |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 16 | 16 | 8 | 24 |
| Sale of treasury shares | – | 24 | – | 2,875 | – | 2,899 | – | 2,899 |
| Repurchase of treasury shares | – | – | – | (2,865) | – | (2,865) | – | (2,865) |
| Share-based compensation, net of tax | – | 220 [3] | – | 8 | – | 228 | – | 228 |
| Financial instruments indexed to own shares [4] | – | (19) | – | – | – | (19) | – | (19) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (53) | (53) |
| Other | – | (6) | – | – | – | (6) | – | (6) |
| **Balance at end of period** | **84** | **32,131** | **26,226** | **0** | **(16,272)** | **42,169** | **414** | **42,583** |
| **2016 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **78** | **31,925** | **29,139** | **(125)** | **(16,635)** | **44,382** | **636** | **45,018** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | (13) | – | – | – | (13) | (6) | (19) |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (103) | (103) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 112 | 112 |
| Net income/(loss) | – | – | (2,438) | – | – | (2,438) | 3 | (2,435) |
| Cumulative effect of accounting changes, net of tax | – | – | (475) | – | 475 | – | – | – |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (112) | (112) | (5) | (117) |
| Issuance of common shares | 6 | 1,661 | – | – | – | 1,667 | – | 1,667 |
| Sale of treasury shares | – | 7 | – | 16,160 | – | 16,167 | – | 16,167 |
| Repurchase of treasury shares | – | – | – | (16,197) | – | (16,197) | – | (16,197) |
| Share-based compensation, net of tax | – | 178 [5] | – | 162 | – | 340 | – | 340 |
| Financial instruments indexed to own shares [4] | – | (164) | – | – | – | (164) | – | (164) |
| Dividends paid | – | (1,435) [6] | – | – | – | (1,435) | – | (1,435) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (194) | (194) |
| Other | – | (28) | – | – | – | (28) | (29) | (57) |
| **Balance at end of period** | **84** | **32,131** | **26,226** | **0** | **(16,272)** | **42,169** | **414** | **42,583** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax benefit of CHF 13 million from the excess fair value of shares delivered over recognized compensation expense.
[4] Includes certain call options the Group purchased on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
[5] Includes a net tax charge of CHF (110) million from the excess recognized compensation expense over fair value of shares delivered.
[6] Paid out of reserves from capital contributions.

## Earnings per share

| in | 4Q16 | 3Q16 | 4Q15 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **(2,347)** | **41** | **(5,828)** | **(2,438)** | **(2,944)** |
| Available for common shares | (2,347) | 41 | (5,828) | (2,441) | (2,958) |
| Available for unvested share-based payment awards | 0 | 0 | 0 | 3 | 14 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **(2,347)** | **41** | **(5,828)** | **(2,438)** | **(2,944)** |
| Available for common shares | (2,347) | 41 | (5,828) | (2,441) | (2,958) |
| Available for unvested share-based payment awards | 0 | 0 | 0 | 3 | 14 |
| **Weighted-average shares outstanding (million)** | | | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **2,102.0** | **2,092.6** | **1,777.2** | **2,048.4** | **1,706.3** |
| Dilutive share options and warrants | 0.0 | 2.8 | 0.0 | 0.0 | 0.0 |
| Dilutive share awards | 0.0 | 52.9 | 0.0 | 0.0 | 0.0 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares** [1] | **2,102.0** [2] | **2,148.3** | **1,777.2** [2] | **2,048.4** [2] | **1,706.3** [2] |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **0.1** | **0.2** | **19.1** | **3.0** | **25.7** |
| **Earnings/(loss) per share available for common shares (CHF)** | | | | | |
| **Basic earnings/(loss) per share available for common shares** | **(1.12)** | **0.02** | **(3.28)** | **(1.19)** | **(1.73)** |
| **Diluted earnings/(loss) per share available for common shares** | **(1.12)** | **0.02** | **(3.28)** | **(1.19)** | **(1.73)** |

[1] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 12.1 million, 13.4 million, 7.9 million, 11.3 million and 7.6 million for 4Q16, 3Q16, 4Q15, 2016 and 2015, respectively.

[2] Due to the net losses in 4Q16, 4Q15, 2016 and 2015, 3.7 million, 0.9 million, 3.2 million and 0.9 million, respectively, of weighted-average share options and warrants outstanding and 68.8 million, 61.2 million, 54.6 million and 47.8 million, respectively, of weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

## Restructuring expenses

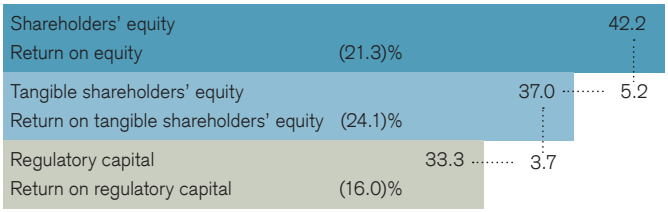
| in | 4Q16 | 3Q16 | 4Q15 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Restructuring expenses by segment (CHF million)** | | | | | |
| Swiss Universal Bank | (3) | 19 | 42 | 60 | 42 |
| International Wealth Management | 16 | 15 | 36 | 54 | 36 |
| Asia Pacific | 19 | 23 | 3 | 53 | 3 |
| Global Markets | 15 | 52 | 96 | 217 | 96 |
| Investment Banking & Capital Markets | (6) | 15 | 22 | 28 | 22 |
| Strategic Resolution Unit | 1 | 21 | 156 | 121 | 156 |
| Corporate Center | 7 | 0 | 0 | 7 | 0 |
| **Total restructuring expenses** | **49** | **145** | **355** | **540** | **355** |

| in | 4Q16 | 3Q16 | 4Q15 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Restructuring expenses by type (CHF million)** | | | | | |
| Compensation and benefits-related expenses | 30 | 123 | 309 | 385 | 309 |
| of which severance expenses | 36 | 65 | 191 | 218 | 191 |
| of which accelerated deferred compensation | (1) | 50 | 87 | 132 | 87 |
| of which pension expenses | (5) | 8 | 31 | 35 | 31 |
| General and administrative-related expenses | 19 | 22 | 46 | 155 | 46 |
| **Total restructuring expenses** | **49** | **145** | **355** | **540** | **355** |

### Return on regulatory capital

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

End of / in 4Q16 (CHF billion, except where indicated)



**Cautionary statement regarding forward-looking information**

This earnings release contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2017 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase our market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings and other contingencies;
- the ability to achieve our cost efficiency, net new asset, pre-tax income/(loss), capital ratios and return on regulatory capital, leverage exposure threshold, RWA threshold, and other targets and ambitions; and
- other unforeseen or unexpected events and our success at managing these and the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in "Risk factors" in I – Information on the company in our Annual Report 2015.

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

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## Form 6-K

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**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

January 18, 2017

Commission File Number 001-15244

# CREDIT SUISSE GROUP AG

(Translation of registrant's name into English)

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

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Commission File Number 001-33434

# CREDIT SUISSE AG

(Translation of registrant's name into English)

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

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note**: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

This report on Form 6-K is being filed by Credit Suisse Group AG and Credit Suisse AG and is hereby incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and the Registration Statements on Form S-8 (file no. 333-101259 and file no. 333-208152).



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## Media Release

### Credit Suisse reaches settlement with U.S. Department of Justice regarding legacy Residential Mortgage-Backed Securities matter

Zurich / New York, January 18, 2017 – Credit Suisse announced today that it has reached a final settlement with the U.S. Department of Justice (DOJ) related to its legacy Residential Mortgage-Backed Securities (RMBS) business – a business conducted through 2007.

As previously announced on December 23, 2016, the settlement releases Credit Suisse from potential civil claims by the DOJ related to its securitization, underwriting and issuance of RMBS. Under the terms of the settlement, Credit Suisse will pay to the DOJ a civil monetary penalty of USD 2.48 billion.

In addition, Credit Suisse will provide consumer relief totaling USD 2.8 billion within five years post settlement. These consumer relief measures include affordable housing payments and 1st and 2nd lien principal and interest forgiveness. The DOJ and Credit Suisse agreed to the appointment of an independent monitor to oversee the completion of the consumer relief requirements of the settlement.

Credit Suisse is pleased to have reached an amicable settlement that allows the bank to put this legacy matter behind it, while also protecting the interests of its clients, employees and other stakeholders. We remain relentlessly focused on serving our clients and continuing our progress toward our strategic goals of being a resilient, profitable and compliant organization.

Credit Suisse will take a pre-tax charge of approximately USD 2 billion in addition to its existing reserves of USD 550 million against this matter. This charge will be taken in its 4Q 2016 financial results, which will be announced on February 14, 2017.

**Information**
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Investor Relations Credit Suisse, +41 44 333 71 49, investor.relations@credit-suisse.com

**Credit Suisse AG**
Credit Suisse AG is one of the world's leading financial services providers and is part of the Credit Suisse group of companies (referred to here as 'Credit Suisse'). As an integrated bank, Credit Suisse offers clients its combined expertise in the areas of private banking, investment banking and

asset management. Credit Suisse provides advisory services, comprehensive solutions and innovative products to companies, institutional clients and high-net-worth private clients globally, as well as to retail clients in Switzerland. Credit Suisse is headquartered in Zurich and operates in over 50 countries worldwide. The group employs approximately 47,690 people. The registered shares (CSGN) of Credit Suisse's parent company, Credit Suisse Group AG, are listed in Switzerland and, in the form of American Depositary Shares (CS), in New York. Further information about Credit Suisse can be found at www.credit-suisse.com.

**Cautionary statement regarding forward-looking information**
This media release contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without

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limitation, statements relating to the following:
- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forwardlooking statements. These factors include:
- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and development s affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including impr oved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, na tionalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and
- policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase our market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings and other contingencies;
- the ability to achieve our cost efficiency, net new asset, pre-tax income/(loss), capital ratios and return on regulatory capital, leverage exposure threshold, RWA threshold, and other targets and ambitions;
- other unforeseen or unexpected events and our success at managing these and the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk factors” in I – Information on the company in our Annual Report 2015.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

CREDIT SUISSE GROUP AG and CREDIT SUISSE AG
(Registrants)

By: /s/ Stephan Flückiger
Stephan Flückiger
Director

/s/ Claude Jehle
Claude Jehle
Director

Date: January 18, 2017

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

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## Form 6-K

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**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

December 23, 2016

Commission File Number 001-15244

# CREDIT SUISSE GROUP AG

(Translation of registrant's name into English)

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

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Commission File Number 001-33434

# CREDIT SUISSE AG

(Translation of registrant's name into English)

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

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note**: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

This report on Form 6-K is being filed by Credit Suisse Group AG and Credit Suisse AG and is hereby incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and the Registration Statements on Form S-8 (file no. 333-101259 and file no. 333-208152).



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# Media Release

**Credit Suisse reaches settlement in principle with U.S. Department of Justice regarding legacy Residential Mortgage-Backed Securities matter**

Zurich / New York, December 23, 2016 – Credit Suisse announced today that it has reached a settlement in principle with the U.S. Department of Justice (DOJ) related to its legacy Residential Mortgage-Backed Securities (RMBS) business – a business conducted through 2007.

This settlement would release Credit Suisse from potential civil claims by the DOJ related to its securitization, underwriting and issuance of RMBS. Under the terms of the settlement, Credit Suisse would pay to the DOJ a civil monetary penalty of USD 2.48 billion. In addition, Credit Suisse would provide consumer relief totaling USD 2.8 billion over the course of five years post settlement.

This settlement is subject to the negotiation of final documentation and approval by the Credit Suisse Board of Directors.

Credit Suisse will take a pre-tax charge of approximately USD 2 billion in addition to its existing reserves against these matters. This will be taken in our 4Q 2016 financial results.

**Information**
Media Relations Credit Suisse, +41 844 33 88 44, media.relations@credit-suisse.com
Investor Relations Credit Suisse, +41 44 333 71 49, investor.relations@credit-suisse.com

**Credit Suisse AG**
Credit Suisse AG is one of the world's leading financial services providers and is part of the Credit Suisse group of companies (referred to here as 'Credit Suisse'). As an integrated bank, Credit Suisse offers clients its combined expertise in the areas of private banking, investment banking and asset management. Credit Suisse provides advisory services, comprehensive solutions and innovative products to companies, institutional clients and high-net-worth private clients globally, as well as to retail clients in Switzerland. Credit Suisse is headquartered in Zurich and operates in over 50 countries worldwide. The group employs approximately 47,690 people. The registered shares (CSGN) of Credit Suisse's parent company, Credit Suisse Group AG, are listed in Switzerland and, in the form of American Depositary Shares (CS), in New York. Further information about Credit Suisse can be found at www.credit-suisse.com.

**Cautionary statement regarding forward-looking information**
This media release contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:
– our plans, objectives or goals;

– our future economic performance or prospects;
– the potential effect on our future performance of certain contingencies; and
– assumptions underlying any such statements.



Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

– the ability to maintain sufficient liquidity and access capital markets;
– market volatility and interest rate fluctuations and development s affecting interest rate levels;
– the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
– the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
– adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
– the ability to achieve our strategic objectives, including impr oved performance, reduced risks, lower costs and more efficient use of capital;
– the ability of counterparties to meet their obligations to us;
– the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
– political and social developments, including war, civil unrest or terrorist activity;
– the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
– operational factors such as systems failure, human error, or the failure to implement procedures properly;
– actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
– the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
– competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
– the ability to retain and recruit qualified personnel;
– the ability to maintain our reputation and promote our brand;
– the ability to increase market share and control expenses;
– technological changes;
– the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
– acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
– the adverse resolution of litigation, regulatory proceedings and other contingencies;
– the ability to achieve our cost efficiency goals and cost target s; and
– our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk factors” in I – Information on the company in our Annual Report 2015.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

CREDIT SUISSE GROUP AG and CREDIT SUISSE AG
(Registrants)

By: /s/ Christian Schmid
Christian Schmid

Managing Director

/s/ Stephan Flückiger
Stephan Flückiger
Director

Date: December 23, 2016

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**
December 7, 2016
Commission File Number 001-15244

## CREDIT SUISSE GROUP AG

(Translation of registrant's name into English)
Paradeplatz 8, CH 8001 Zurich, Switzerland
(Address of principal executive office)

Commission File Number 001-33434

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This report on Form 6-K is being filed by Credit Suisse Group AG and Credit Suisse AG and is hereby incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and the Registration Statements on Form S-8 (file no. 333-101259 and file no. 333-208152), except for the information in the sections of the attached media release entitled “Media Call” and “Webcast details.”

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**December 7, 2016**

**Media Release**

# Investor Day 2016

Zurich, December 7, 2016 - In October 2015, we presented our strategy and our plans to reinforce our position as a leading private bank and wealth manager, with strong investment banking capabilities. In our search for growth, we said that we would take a balanced approach between our presence in large, established and wealthy mature markets and faster growing emerging markets, where significant wealth is being created but with higher volatility. We believe that this strategy will generate significant value for our shareholders over time.

Looking ahead, we are confirming today our medium-term 2018 PTI target for the affluent, mature Swiss market and are also confirming our Wealth Management targets both in the emerging markets of Asia Pacific (APAC) and other emerging economies, grouped in our International Wealth Management (IWM) division.

In addition, given the challenging market conditions that we are facing, we are adjusting down our targets related to our markets and trading activities in APAC and to our Asset Management activities in IWM.

In parallel, we are increasing our Group cost savings target, designed to make our bank more resilient through the cycle and providing significant potential upside for our shareholders when conditions improve.

## Delivering on our strategic objectives

Since the last Investor Day on October 21, 2015, we have made significant progress against the strategic objectives we set out to achieve.

**Costs.** We have significantly reduced our fixed cost base, with CHF 1.6 billion[1] of net savings expected to be achieved in the first year of our strategic plan. In 9M16, we exceeded the end-2016 net cost savings target of CHF 1.4 billion that we announced last year. Today, we are increasing our end-2018 cost reduction target to create further positive **operating leverage**.

**Profitable growth.** By focusing on our Ultra-High-Net-Worth Individual (UHNWI) and entrepreneur clients, we have been able to attract significant NNA and to materially grow our AuM in challenging markets. We will continue to invest in attractive growth opportunities and in strengthening our controls, leveraging our global platform as we have demonstrated in 2016. Over time, we expect these investments to generate significant, sustainable returns for our shareholders.

**Right-sizing Global Markets (GM).** We have substantially completed the right-sizing of our GM activities, lowering risk and reducing capital consumption while investing selectively and preserving our key client franchises across Equities and Fixed Income.

**Capital.** We are maintaining a disciplined approach to capital management, allocating capital to higher-returning, less volatile activities while strengthening our capital ratios through the disciplined management of RWA and leverage exposure. In the Strategic Resolution Unit (SRU), we have significantly reduced capital and balance sheet usage with a 35% reduction in RWA (excluding operational risk) in one year and have achieved this with lower-than-expected exit costs to our shareholders. We had a look-through CET1 capital ratio of 12%– our strongest reported level – at end-3Q16. This represents an improvement of 180 bp compared to end-3Q15.

## End-2018 targets

We are increasing our Group cost savings target, confirming our PTI target for the Swiss Universal Bank (SUB) and confirming our Wealth Management PTI targets for APAC and IWM. Given the challenging market conditions that we are facing, we are adjusting down our PTI targets related to our trading and markets activities in APAC and to our Asset Management activities in IWM. In parallel, we are raising our Group cost savings target to increase resilience and create potential upside for shareholders when conditions improve.

**Increasing end-2018 operational leverage target**

During 2016, we have made significant progress in reducing our operating cost base while investing in growth businesses and improving our control framework. We expect to exceed our cost reduction targets with a projected CHF 1.6 billion of net cost savings by end-2016.[1] This is an outperformance with respect to the amount of cost savings achieved by many of our peers in similar cost reduction programs during the first year after announcement.[2]

We are today lowering our target operating cost base for 2018 from below CHF 18 billion to below CHF 17 billion. We are increasing our total net cost savings target from CHF 3.2 billion to greater than CHF 4.2 billion by end-2018 as we maintain momentum with further cost saving measures.

Importantly, in parallel with these cost saving initiatives, we are continuing to make investments in people and in technology to strengthen our client franchises in all divisions.

**End-2018 divisional PTI targets**

Since last year's Investor Day, two key developments have impacted the way we think about our 2018 targets: (i) since we started operating under our new divisional structure, we have been able to develop many new growth and efficiency initiatives at a granular level; and (ii) we have seen major changes in the market environment and political outlook, which have negatively impacted the market-dependent portion of our targets.

This has led us to reassess certain targets we set for 2018. Today, we are reaffirming our targets across our Wealth Management businesses for 2018, together with our return targets for GM, while adjusting downward our targets for those activities most impacted by reduced trading flows and lower levels of market activity. For the SRU, we are updating our 2018 guidance and providing guidance for 2019.

- **SUB**: After a strong performance in 9M16, PTI target of CHF 2.3 billion confirmed for 2018.
- **IWM**: PTI target adjusted to CHF 1.8 billion to reflect lower performance fees in Asset Management.
- **APAC**: PTI target adjusted to CHF 1.6 billion, with Wealth Management target unchanged at CHF 0.7 billion and APAC Investment Banking PTI target adjusted downwards to reflect the impact of lower market volumes and capital markets activity.
- **GM**: 10-15% return on regulatory capital[3] confirmed for 2018.
- **IBCM**: 15-20% return on regulatory capital[3] for 2018.
- **SRU**: Pre-tax loss of USD 1.4 billion by 2018 and USD 0.8 billion by 2019.

Given the unsupportive market conditions we are facing, the realization of our profit objectives plan is now more geared to the delivery of cost reductions, over which we have greater control than revenue growth. This also leaves us with potential upside, should market conditions improve.

## Strengthening our capital position

Building a strong capital position is a core objective of our strategy. We have made notable progress towards this goal in 2016 and will continue to prioritize balance sheet strength going forward. Our look-through CET1 capital ratio improved by 180 bp to 12% as of end-3Q16 compared to end-3Q15, the strongest level ever achieved by the Group. We are confirming our target CET1 capital ratio of over 13% pre-Basel 3 uplift beyond 2018, which

corresponds to approximately 11%[4] post regulatory recalibration beyond 2018. Our look-through CET1 leverage ratio improved by 60 bp to 3.4% as of end-3Q16 compared to end-3Q15. We are targeting a look-through CET1 leverage ratio of over 3.5% in 2018.

## Divisional summary

The **Swiss Universal Bank** (SUB) division is performing well. It achieved three consecutive quarters of adjusted* PTI growth year on year – up 25% on a reported basis and 8%[5] on an adjusted* basis in 9M16 compared to 9M15 – driven by resilient revenues across the franchise and effective cost initiatives. We delivered a return on regulatory capital[3] of 18% on a reported basis and 15% on an adjusted* basis for 9M16. We are continuing to systematically implement our efficiency measures that are targeted at realizing additional net cost savings over CHF 200 million over the next two years to end-2018. We will continue to invest in enhancing our digital capabilities and processes within our multi-channel strategy. We have also identified further concrete growth initiatives targeted at delivering revenue growth of 1-3% per annum, subject to market conditions. Against this backdrop, we are confirming our PTI target for the division of CHF 2.3 billion for end-2018. We remain on track with the preparations for the planned partial IPO of Credit Suisse (Schweiz) AG in the second half of 2017, market conditions permitting[6]. Further guidance on this legal entity will be provided in 2Q17.

**International Wealth Management** (IWM) is making significant progress in delivering robust revenue trajectory and strong NNA generation in challenging markets. Private Banking achieved strong NNA of CHF 15.2 billion in 9M16 and an annualized growth rate of 7%[7] in spite of the continued negative impact of regularization. This compares to an annualized growth rate of 0.5% in the same period of 2015. We continued to service our clients' financing needs, resulting in net new lending of CHF 3.1 billion in 9M16. Our success in serving our strategic client base was reflected by a significant increase in net revenues for this client group at higher gross margins in 2016. In Asset Management, PTI rose 20% on a reported basis and 22% on an adjusted* basis in 9M16 on the back of higher global management fees, solid asset inflows and efficiency gains. Cost efficiencies across IWM were used to fund investments in growth, with the recruitment of 170 RMs[8] in 9M16, as well as investments in the regional alignment of the Risk and Compliance function. Our target PTI for end-2018 has been adjusted to CHF 1.8 billion from CHF 2.1 billion, reflecting lower performance fees in Asset Management. Progress is expected to be achieved through continued growth in our leading Emerging Markets franchises[9], while capitalizing on the operating leverage of our business in Europe which is expected to grow PTI by around CHF 150 million in 2018. Additionally, we expect Asset Management to grow PTI by over CHF 200 million in 2018. IWM is expected to deliver growth while actively managing risk and balancing growth investments with efficiency gains.

Our integrated model in **Asia Pacific** (APAC) showed growth momentum with our UHNWI and entrepreneur clients, leading to good revenue growth and attractive returns in 2016 despite challenging market conditions. Credit Suisse is a top-3 private bank in APAC[10] and our Wealth Management business increased its net revenues by 10% in 9M16 compared to 9M15 and reported record AuM of CHF 169 billion at end-3Q16. We remain committed to serving this core client base with differentiated, advisory-led solutions, supported by access to our leading Equities franchise. Underwriting and Advisory net revenues increased 35% in 9M16 compared to 9M15 and Credit Suisse currently has a no. 1 share of wallet in APAC ex-Japan among international banks[11]. Recognizing the slower market environment, we have adjusted our PTI targets, with a slower pace of growth. We are confirming our PTI target for wealth management connected activities of CHF 0.7 billion by end-2018, and we are adjusting our PTI target for the division to CHF 1.6 billion. Going forward, we aim to create additional operating leverage through a program of efficiency measures across the business. APAC remains a priority and core focus for the Group, driven by the continued wealth creation and business growth in our UHNWI and entrepreneur client base.

**Investment Banking & Capital Markets** (IBCM) has delivered improved operating results while continuing to invest in growth opportunities. We have rebalanced our product mix towards M&A and ECM, resulting in share of wallet gains[12] and top-5 market positions[12] across our core products for 9M16. We are continually optimizing our

client mix to increase our focus on investment grade corporate clients and have also leveraged our global platform to meet the growing client demand for cross-border expertise in both developed and Emerging Markets. Our aim is to generate a return on regulatory capital[3] in the range of 15-20% by end-2018.

In **Global Markets** (GM), we have a number of leading client franchises and we have worked hard to defend them through a year of significant restructuring. We were able to retain top positions in our core businesses, with particular strength in the Americas. With the execution of our accelerated restructuring substantially completed, GM is operating below its end-2016 RWA ceiling of USD 60 billion and approaching its end-2018 target cost base of USD 5.4 billion. Our focus is now shifting to driving revenues and to better capitalize on collaboration opportunities with IWM, IBCM and APAC. At the same time, we are striving to improve operating leverage while operating below our capital ceilings (assuming RWA of USD 60 billion and leverage exposure of USD 290 billion) to achieve a return on regulatory capital[3] of 10-15% by end-2018.

In our **Strategic Resolution Unit** (SRU), we have deleveraged rapidly and reduced leverage exposure by USD 51 billion and RWA by USD 19 billion (excluding operational risk) compared to end-4Q15, and we exited businesses through a wide range of transactions at favorable costs of around 1% of RWA, which is lower than our long-term guidance of 2-5%. This has freed up capital to reinvest in growth businesses in order to support our client activities. By end-2019, our target is to realize a pre-tax loss of approximately USD 0.8 billion and to reduce capital consumption by approximately 80%.

## Conclusion

One year into the implementation of our plan, we believe that our strategy is working. We aim to continue to attract assets and improve the quality of our Wealth Management offering as well as using our strong investment banking capabilities to serve our clients. Since 1856, Credit Suisse has been at the forefront of partnering with entrepreneurs both in developed and emerging markets. This is a deep tradition that we intend to continue. We see material upside in being able to provide our target entrepreneur clients with an integrated wealth management and investment banking approach.

We have made strong progress in reducing costs, with the expected delivery of CHF 1.6 billion[1] of net savings in 2016, thus increasing our operating leverage. A core objective of our strategy is to make the bank both more profitable and more resilient. In parallel, we have continued to invest in expanding our business and have generated profitable growth in our core client franchises, where AuM increased by CHF 62 billion in Wealth Management as of end-3Q16 compared to end-3Q15.

We are determined to stay focused on our key priorities of disciplined execution, profitable growth and the strengthening of our capital position. By 2018, we expect Credit Suisse to benefit from the measures we have put in place to create increased operational leverage, with a powerful core business generating a high-quality and more predictable earnings stream as the SRU shrinks.

In the course of 2016, we have taken a number of difficult but important steps that lay the foundations for a stronger, more resilient Credit Suisse in the future. As a result, we believe that we are well positioned to grow profitably and produce long-term value for our shareholders.

**Information for media**
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The Investor Day media release and presentation slides are available for download from 07:00 CET today at: https://www.credit-suisse.com/investorday. Details of the agenda and the webcast are on page 5 of this media release.

Note: All references to 2018 PTI, operational leverage and return on regulatory capital targets are on an adjusted* basis. These adjusted targets are non-GAAP financial measures. A reconciliation of the targets to the nearest GAAP measures is unavailable without unreasonable efforts. The reconciling items include any future goodwill impairment, litigation charges and other revenue and expense items included in our reported results but excluded from our adjusted results, which is unavailable on a prospective basis.

# Agenda

| Time | Topic | Speaker |
|---|---|---|
| **08:00** | Registration | All |
| **08:30** | **Welcome & Progress Update** | **Tidjane Thiam, Group CEO** |
| **09:15** | **Global Markets** | **Brian Chin, CEO GM** |
| **09:45** | Coffee break | |
| **10:15** | **Swiss Universal Bank** | **Thomas Gottstein, CEO SUB** |
| **10:45** | **Asia Pacific** | **Helman Sitohang, CEO APAC** |
| **11:15** | **International Wealth Management** | **Iqbal Khan, CEO IWM** |
| **11:45** | **Investment Banking & Capital Markets** | **Jim Amine, CEO IBCM** |
| **12:15** | Lunch | |
| **13:15** | **Financials and capital / Strategic Resolution Unit** | **David Mathers, Group CFO** |
| **14:00** | Wrap-up of the Day | Tidjane Thiam, Group CEO |
| **14:05** | Q&A Session | All |

# Media call

| | |
|---|---|
| **Date** | Wednesday, December 7, 2016 |
| **Time** | 07:30 GMT / 08:30 CET |
| **Speakers** | Tidjane Thiam, Chief Executive Officer of Credit Suisse Group<br><br>This presentation will be given in English. |
| **Telephone** | United Kingdom +44 1452 583 087<br>Switzerland +41 44 583 16 09<br>United States +1 866 629 00 58<br>Conference passcode: 33284540 |
| **Q&A session** | Following the presentation, you will have the opportunity to ask the speakers questions. |
| **Note** | We recommend that you dial in approximately<br>10 minutes before the start of the presentation. After entering the passcode, you will be automatically connected to the conference. Due to regional restrictions, some participants may receive Operator assistance when joining this conference call and will not be automatically connected. |
| **Documents** | All documentation will be available on credit-suisse.com/investorday |
| **Playbacks** | United Kingdom +44 1452 550 000<br>Switzerland +41 44 580 34 56<br>USA +1 866 247 42 22<br><br>Encore dial in passcode 33284540<br><br>A replay of the media call will be available during the day. |

# Webcast details

| | |
|---|---|
| **Date** | Wednesday, December 7, 2016 |
| **Time** | 08:30 GMT / 09:30 CET |
| **Webcast** | Live broadcast online at: www.credit-suisse.com/investorday<br>The presentation will be given in English. |
| **Telephone** | Switzerland: +41 44 580 71 50<br>Europe: +44 145 232 2090<br>US: +1 917 512 0900<br>Conference passcode: 2118727 |
| **Note** | Due to the large volume of callers expected, we recommend that you dial in approximately<br>10 minutes before the start of the presentation.<br>After entering the passcode, you will be automatically connected to the conference.<br>Due to regional restrictions, some participants may receive operator assistance when joining the conference call and will not be automatically connected. |
| **Documents** | All documentation will be available on credit-suisse.com/investorday |
| **Playbacks** | A replay of the webcast will be available approximately 5 hours after the end of the event. |

## Footnotes

* Adjusted results are non-GAAP financial measures. For a reconciliation of the adjusted results to the most directly comparable US GAAP measures, see the Appendix of this media release for reconciliations of adjustment items.

[1] Compared to 2015 adjusted total operating expenses. Cost reduction program measured in constant FX rates and based on expense run rate excluding major litigation expenses (CHF 821 million), restructuring costs (CHF 355 million) and a goodwill impairment (CHF 3,797 million) taken in 4Q15, but including other costs to achieve savings.

[2] Cost savings for select peers converted to CHF at spot rate of announcement quarter. Net cost savings 2016E for Credit Suisse.

[3] Regulatory capital reflects the worst of 10% of RWA and 3.5% of leverage exposure. Return on regulatory capital is based on (adjusted) returns after tax assuming a tax rate of 30% for all periods and capital allocated based on the worst of 10% of average RWA and 3.5% of average leverage exposure. For Global Markets and Investment Banking & Capital Markets, return on regulatory capital is based on US dollar denominated numbers.

[4] Pre significant litigation expenses.

[5] Excludes Swisscard pre-tax income of CHF 25 million in 9M15.

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

[7] Annualized numbers do not take account of variations in operating results, seasonality and other factors and may not be indicative of actual, full-year results.

[8] 120 RM of 170 RM joined in 9M16.

[9] Source: Euromoney Private Banking Awards 2016, March 2016.

[10] Source: Asian Private Banker 2015.

[11] Source: Dealogic as at 2016 YTD December 2, 2016.

[12] Source: Dealogic for the YTD period ending September 30, 2016.

## Abbreviations

Asia Pacific – APAC; Asset under Management – AuM; basis point – bp; Common equity tier 1 – CET1; Equity Capital Markets – ECM; Global Markets – GM; Initial Public Offering – IPO; International Wealth Management – IWM; Investment Banking & Capital Markets – IBCM; M&A – Mergers and Acquisitions; Net New Assets – NNA; Pre-tax income – PTI; Relationship Managers – RMs; Risk weighted assets – RWA; Strategic Resolution Unit – SRU; Swiss Universal Bank – SUB; Ultra-High-Net-Worth Individual – UHNWI; Year-to-date – YTD

## Important information about the Swiss Universal Bank

The data presented in this media release relating to the Swiss Universal Bank refers to the division of Credit Suisse Group as the same is currently managed within Credit Suisse Group.

The scope, revenues and expenses of the Swiss Universal Bank vary from the planned scope of Credit Suisse (Schweiz) AG and its subsidiaries, planned to be subject to a partial IPO, market conditions permitting. Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals.

It is therefore not possible to make a like-for-like comparison of the Swiss Universal Bank as a division of Credit Suisse Group on the one hand and Credit Suisse (Schweiz) AG as a potential IPO vehicle on the other hand.

## Important information about this Media Release

Information referenced in this Media Release, whether via website links or otherwise, is not incorporated into this Media Release.

* “Adjusted operating expenses at constant FX rates” include adjustments as made in all our disclosures for restructuring expenses, major litigation expenses and a goodwill impairment taken in 4Q15 as well as adjustments for FX, applying the following main currency exchange rates for 1Q15: USD/CHF 0.9465, EUR/CHF 1.0482, GBP/CHF 1.4296, 2Q15: USD/CHF 0.9383, EUR/CHF 1.0418, GBP/CHF 1.4497, 3Q15: USD/CHF 0.9684, EUR/CHF 1.0787, GBP/CHF 1.4891, 4Q15: USD/CHF 1.0000, EUR/CHF 1.0851, GBP/CHF 1.5123, 1Q16: USD/CHF 0.9928, EUR/CHF 1.0941, GBP/CHF 1.4060, 2Q16: USD/CHF 0.9756, EUR/CHF 1.0956, GBP/CHF 1.3845, 3Q16: USD/CHF 0.9728, EUR/CHF 1.0882, GBP/CHF 1.2764. These currency exchange rates are unweighted, i.e. a straight line average of monthly rates. We apply this calculation consistently for the periods under review.

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

In particular, the terms “Illustrative”, “Ambition”, “Outlook” and “Goal” are not intended to be viewed as targets or projections, nor are they considered to be Key Performance Indicators. All such illustrations, ambitions and goals are subject to a large number of inherent risks, assumptions and uncertainties, many of which are completely outside of our control. Accordingly, this information should not be relied on for any purpose. We do not intend to update these illustrations, ambitions or goals.

In preparing this media release, management has made estimates and assumptions that affect the numbers presented. Actual results may differ. Figures throughout this media release may also be subject to rounding adjustments.

As of January 1, 2013, Basel 3 was implemented in Switzerland along with the Swiss “Too Big to Fail” legislation and regulations thereunder (in each case, subject to certain phase-in periods). As of January 1, 2015, the Bank for International Settlements (BIS) leverage ratio framework, as issued by the Basel Committee on Banking Supervision (BCBS), was implemented in Switzerland by FINMA. Our related disclosures are in accordance with our interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this media release. Capital and ratio numbers for periods prior to 2013 are based on estimates, which are calculated as if the Basel 3 framework had been in place in Switzerland during such periods.

Unless otherwise noted, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments. Leverage amounts for 4Q14, which are presented in order to show meaningful comparative information, are based on estimates which are calculated as if the BIS leverage ratio framework had been implemented in Switzerland at such time. Beginning in 2015, the Swiss leverage ratio is calculated as Swiss total capital, divided by period-end leverage exposure. The look-through BIS tier 1 leverage ratio and CET1 leverage ratio are calculated as look-through BIS tier 1 capital and CET1 capital, respectively, divided by end-period leverage exposure.

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

When we refer to Wealth Management focused divisions throughout this Media Release, we mean APAC, IWM and SUB. References to the “Wealth Management” businesses in APAC, IWM and SUB refer to those divisions’ Private Banking businesses.

Investors and others should note that we announce material information (including quarterly earnings releases and financial reports) to the investing public using press releases, SEC and Swiss ad hoc filings, our website and public conference calls and webcasts. We intend to also use our Twitter account @creditsuisse (https://twitter.com/creditsuisse) to excerpt key messages from our public disclosures, including earnings releases. We may retweet such messages through certain of our regional Twitter accounts, including @csschweiz (https://twitter.com/csschweiz) and @csapac (https://twitter.com/csapac).

Investors and others should take care to consider such abbreviated messages in the context of the disclosures from which they are excerpted. The information we post on these Twitter accounts is not a part of this Media Release.

In various tables, use of “-“ indicates not meaningful or not applicable.

## Selling restrictions

This document, and the information contained herein, is not an offer to sell or a solicitation of offers to purchase or subscribe for securities of Credit Suisse Group AG or Credit Suisse (Schweiz) AG in Switzerland, the United States or any other jurisdiction. This document is not a prospectus within the meaning of article 652a of the Swiss Code of Obligations, nor is it a listing prospectus as defined in the listing rules of the SIX Swiss Exchange AG or any other exchange or regulated trading facility in Switzerland or a prospectus or offering document under any other applicable laws.

Copies of this document may not be sent to jurisdictions, or distributed in or sent from jurisdictions, in which such documents are barred or prohibited by law. A decision to invest in securities of Credit Suisse Group AG or Credit Suisse (Schweiz) AG should be based exclusively on a written agreement with Credit Suisse Group AG or an offering and listing prospectus to be published by Credit Suisse Group AG or Credit Suisse (Schweiz) AG for such purpose. Any offer and sale of securities of Credit Suisse (Schweiz) AG will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered in the United States of America absent such registration or an exemption from registration. There will be no public offering of such securities in the United States of America.

# Appendix

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

## Swiss Universal Bank - Reconciliation of adjusted results

| | | | | | | | Swiss Universal Bank | |
|---|---|---|---|---|---|---|---|---|
| in | **3Q16** | 3Q15 | 2Q16 | 2Q15 | 1Q16 | 1Q15 | **9M16** | 9M15 |
| **Adjusted results (CHF million)** | | | | | | | | |
| **Net revenues** | **1,667** | **1,364** | **1,337** | **1,462** | **1,356** | **1,400** | **4,360** | **4,226** |
| Real estate gains | (346) | 0 | 0 | (23) | 0 | 0 | (346) | (23) |
| **Adjusted net revenues** | **1,321** | **1,364** | **1,337** | **1,439** | **1,356** | **1,400** | **4,014** | **4,203** |
| **Provision for credit losses** | **30** | **39** | **9** | **33** | **6** | **23** | **45** | **95** |
| **Total operating expenses** | **879** | **925** | **875** | **961** | **918** | **934** | **2,672** | **2,820** |
| Restructuring expenses | (19) | – | (4) | – | (40) | – | (63) | – |
| **Adjusted total operating expenses** | **860** | **925** | **871** | **961** | **878** | **934** | **2,609** | **2,820** |
| **Income before taxes** | **758** | **400** | **453** | **468** | **432** | **443** | **1,643** | **1,311** |
| Total adjustments | (327) | 0 | 4 | (23) | 40 | 0 | (283) | (23) |
| **Adjusted income before taxes** | **431** | **400** | **457** | **445** | **472** | **443** | **1,360** | **1,288** |
| Adjusted return on regulatory capital (%) | 14.0 | 13.4 | 15.0 | 14.2 | 15.7 | 14.2 | 14.9 | 14.1 |

## International Wealth Management - Reconciliation of adjusted results

| | | Private Banking | | Asset Management | | International Wealth Management |
|---|---|---|---|---|---|---|
| in | **9M16** | 9M15 | **9M16** | 9M15 | **9M16** | 9M15 |
| **Adjusted results (CHF million)** | | | | | | |
| **Net revenues** | **2,453** | **2,416** | **946** | **963** | **3,399** | **3,379** |
| **Provision for credit losses** | **14** | **12** | **0** | **0** | **14** | **12** |
| **Total operating expenses** | **1,826** | **1,804** | **769** | **816** | **2,595** | **2,620** |
| Restructuring expenses | (36) | – | (2) | – | (38) | – |
| Major litigation provisions | 19 | (40) | 0 | 0 | 19 | (40) |
| **Adjusted total operating expenses** | **1,809** | **1,764** | **767** | **816** | **2,576** | **2,580** |
| **Income before taxes** | **613** | **600** | **177** | **147** | **790** | **747** |
| Total adjustments | 17 | 40 | 2 | 0 | 19 | 40 |
| **Adjusted income before taxes** | **630** | **640** | **179** | **147** | **809** | **787** |

**Cautionary statement regarding forward-looking information**

This media release contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:
– our plans, objectives or goals;
– our future economic performance or prospects;
– the potential effect on our future performance of certain contingencies; and
– assumptions underlying any such statements.

Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

– the ability to maintain sufficient liquidity and access capital markets;
– market volatility and interest rate fluctuations and developments affecting interest rate levels;
– the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
– the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
– adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
– the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
– the ability of counterparties to meet their obligations to us;
– the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
– political and social developments, including war, civil unrest or terrorist activity;
– the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
– operational factors such as systems failure, human error, or the failure to implement procedures properly;
– actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and
– policies in countries in which we conduct our operations;
– the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
– competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
– the ability to retain and recruit qualified personnel;
– the ability to maintain our reputation and promote our brand;
– the ability to increase our market share and control expenses;
– technological changes;
– the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
– acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
– the adverse resolution of litigation, regulatory proceedings and other contingencies;
– the ability to achieve our cost efficiency, net new asset, pre-tax income/(loss), capital ratios and return on regulatory capital, leverage exposure threshold, RWA threshold, and other targets and ambitions;
– other unforeseen or unexpected events and our success at managing these and the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk factors” in I – Information on the company in our Annual Report 2015.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CREDIT SUISSE GROUP AG and CREDIT SUISSE AG**

(Registrants)

Date: December 7, 2016

By:

/s/ Christian Schmid

Christian Schmid

Managing Director

By:

/s/ Stephan Flückiger

Stephan Flückiger

Director

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

# Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

November 3, 2016

Commission File Number 001-33434

# CREDIT SUISSE AG
(Translation of registrant's name into English)

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

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

# Explanatory note

This report filed on Form 6-K contains certain information about Credit Suisse AG (Bank) relating to its results as of and for the three and nine months ended September 30, 2016. On November 3, 2016, the Credit Suisse Financial Report 3Q16 was published. A copy of the Financial Report is attached as an exhibit to this report on Form 6-K. This report on Form 6-K (including the exhibit hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and (ii) shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended, except, in the case of both (i) and (ii), the sections of the attached Financial Report entitled "Message from the Chairman and the Chief Executive Officer", "Investor information" and "Financial calendar and contacts".

Credit Suisse AG is a Swiss bank and joint stock corporation established under Swiss law, and is a wholly-owned subsidiary of the Group. The Bank's registered head office is in Zurich, and it has additional executive offices and principal branches in London, New York, Hong Kong, Singapore and Tokyo.

References herein to "CHF" are to Swiss francs.

# Key information

## Selected financial data

### Condensed consolidated statements of operations

| in | 3Q16 | 3Q15 | % change | 9M16 | 9M15 | % change |
|---|---|---|---|---|---|---|
| **Condensed consolidated statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 4,111 | 4,303 | (4) | 13,225 | 14,449 | (8) |
| Interest expense | (2,274) | (2,353) | (3) | (7,567) | (7,680) | (1) |
| Net interest income | 1,837 | 1,950 | (6) | 5,658 | 6,769 | (16) |
| Commissions and fees | 2,604 | 2,839 | (8) | 7,936 | 8,971 | (12) |
| Trading revenues | 359 | 744 | (52) | 50 | 2,642 | (98) |
| Other revenues | 580 | 220 | 164 | 1,065 | 716 | 49 |
| **Net revenues** | **5,380** | **5,753** | (6) | **14,709** | **19,098** | (23) |
| **Provision for credit losses** | **41** | **97** | (58) | **148** | **155** | (5) |
| Compensation and benefits | 2,686 | 2,526 | 6 | 7,939 | 8,391 | (5) |
| General and administrative expenses | 1,982 | 2,111 | (6) | 5,603 | 5,811 | (4) |
| Commission expenses | 319 | 415 | (23) | 1,052 | 1,208 | (13) |
| Restructuring expenses | 137 | – | – | 455 | – | – |
| Total other operating expenses | 2,438 | 2,526 | (3) | 7,110 | 7,019 | 1 |
| **Total operating expenses** | **5,124** | **5,052** | 1 | **15,049** | **15,410** | (2) |
| **Income/(loss) before taxes** | **215** | **604** | (64) | **(488)** | **3,533** | – |
| Income tax expense/(benefit) | 203 | 46 | 341 | (90) | 1,058 | – |
| **Net income/(loss)** | **12** | **558** | (98) | **(398)** | **2,475** | – |
| Net income/(loss) attributable to noncontrolling interests | (5) | (17) | (71) | (3) | (18) | (83) |
| **Net income/(loss) attributable to shareholders** | **17** | **575** | (97) | **(395)** | **2,493** | – |

## Condensed consolidated balance sheets

| end of | 3Q16 | 4Q15 | % change |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | 102,911 | 90,521 | 14 |
| Interest-bearing deposits with banks | 3,552 | 4,953 | (28) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 115,136 | 123,436 | (7) |
| Securities received as collateral | 27,707 | 28,511 | (3) |
| Trading assets | 184,005 | 191,096 | (4) |
| Investment securities | 2,025 | 2,698 | (25) |
| Other investments | 5,735 | 6,787 | (16) |
| Net loans | 257,624 | 254,915 | 1 |
| Premises and equipment | 4,443 | 4,439 | 0 |
| Goodwill | 3,855 | 3,929 | (2) |
| Other intangible assets | 192 | 196 | (2) |
| Brokerage receivables | 39,390 | 34,540 | 14 |
| Other assets | 42,583 | 57,910 | (26) |
| **Total assets** | **789,158** | **803,931** | (2) |
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 22,295 | 21,460 | 4 |
| Customer deposits | 333,692 | 331,700 | 1 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 32,261 | 46,598 | (31) |
| Obligation to return securities received as collateral | 27,707 | 28,511 | (3) |
| Trading liabilities | 47,933 | 49,054 | (2) |
| Short-term borrowings | 11,600 | 8,657 | 34 |
| Long-term debt | 189,523 | 192,094 | (1) |
| Brokerage payables | 42,188 | 39,452 | 7 |
| Other liabilities | 37,675 | 41,715 | (10) |
| **Total liabilities** | **744,874** | **759,241** | (2) |
| **Total shareholder's equity** | **43,172** | **43,406** | (1) |
| Noncontrolling interests | 1,112 | 1,284 | (13) |
| **Total equity** | **44,284** | **44,690** | (1) |
| **Total liabilities and equity** | **789,158** | **803,931** | (2) |

## BIS statistics (Basel III)

| end of | 3Q16 | 4Q15 | % change |
|---|---|---|---|
| **Eligible capital (CHF million)** | | | |
| Common equity tier 1 (CET1) capital | 36,713 | 40,013 | (8) |
| Tier 1 capital | 47,444 | 50,570 | (6) |
| Total eligible capital | 54,543 | 60,242 | (9) |
| **Capital ratios (%)** | | | |
| CET1 ratio | 13.8 | 13.9 | – |
| Tier 1 ratio | 17.8 | 17.6 | – |
| Total capital ratio | 20.5 | 21.0 | – |

# Operating and financial review and prospects

Except where noted, the business of the Bank is substantially the same as the business of the Group, and substantially all of the Bank's operations are conducted through the Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit segments. These segment results are included in Core Results, except for the Strategic Resolution Unit, which is part of the Credit Suisse Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the six segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Swiss Universal Bank, financing vehicles of the Group and hedging activities relating to share-based compensation awards. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

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

## Differences between the Group and the Bank businesses

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

## Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **9M16** | 9M15 | **9M16** | 9M15 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 14,709 | 19,098 | 15,142 | 19,587 |
| Total operating expenses | 15,049 | 15,410 | 15,028 | 15,377 |
| Income/(loss) before taxes | (488) | 3,533 | (63) | 4,019 |
| Net income/(loss) | (398) | 2,475 | (90) | 2,869 |
| Net income/(loss) attributable to shareholders | (395) | 2,493 | (91) | 2,884 |
| of which from continuing operations | (395) | 2,493 | (91) | 2,884 |

## Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **3Q16** | 3Q15 | **3Q16** | 3Q15 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 5,380 | 5,753 | 5,396 | 5,985 |
| Total operating expenses | 5,124 | 5,052 | 5,119 | 5,023 |
| Income before taxes | 215 | 604 | 222 | 852 |
| Net income | 12 | 558 | 37 | 769 |
| Net income attributable to shareholders | 17 | 575 | 41 | 779 |
| of which from continuing operations | 17 | 575 | 41 | 779 |

## Comparison of selected balance sheet information

| | Bank | | Group | |
|---|---|---|---|---|
| end of | **3Q16** | 4Q15 | **3Q16** | 4Q15 |
| **Balance sheet statistics (CHF million)** | | | | |
| Total assets | 789,158 | 803,931 | 806,711 | 820,805 |
| Total liabilities | 744,874 | 759,241 | 761,954 | 775,787 |

# Exhibits

**No. Description**

99.1 Credit Suisse Financial Report 3Q16

# Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CREDIT SUISSE AG**
(Registrant)

Date: November 3, 2016

By:
/s/ Tidjane Thiam
Tidjane Thiam
Chief Executive Officer

By:
/s/ David R. Mathers
David R. Mathers
Chief Financial Officer

CREDIT SUISSE

# Financial Report

3Q16

## Key metrics

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | | | | |
| Net income/(loss) attributable to shareholders | 41 | 170 | 779 | (76) | (95) | (91) | 2,884 | – |
| Basic earnings/(loss) per share (CHF) | 0.02 | 0.08 | 0.46 | (75) | (96) | (0.05) | 1.68 | – |
| Diluted earnings/(loss) per share (CHF) | 0.02 | 0.08 | 0.44 | (75) | (95) | (0.05) | 1.64 | – |
| Return on equity attributable to shareholders (%) | 0.4 | 1.5 | 7.1 | – | – | (0.3) | 9.0 | – |
| Effective tax rate (%) | 83.3 | 10.6 | 9.7 | – | – | (42.9) | 28.6 | – |
| **Core Results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 5,561 | 5,471 | 6,073 | 2 | (8) | 16,211 | 18,950 | (14) |
| Provision for credit losses | 50 | 9 | 89 | 456 | (44) | 94 | 154 | (39) |
| Total operating expenses | 4,437 | 4,504 | 4,357 | (1) | 2 | 13,316 | 13,447 | (1) |
| Income before taxes | 1,074 | 958 | 1,627 | 12 | (34) | 2,801 | 5,349 | (48) |
| Cost/income ratio (%) | 79.8 | 82.3 | 71.7 | – | – | 82.1 | 71.0 | – |
| **Assets under management and net new assets (CHF billion)** | | | | | | | | |
| Assets under management | 1,255.2 | 1,218.4 | 1,285.8 | 3.0 | (2.4) | 1,255.2 | 1,285.8 | (2.4) |
| Net new assets | 11.9 | 12.1 | 16.2 | (1.7) | (26.5) | 34.5 | 44.8 | (23.0) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 806,711 | 821,164 | 858,420 | (2) | (6) | 806,711 | 858,420 | (6) |
| Net loans | 274,606 | 273,835 | 274,825 | 0 | 0 | 274,606 | 274,825 | 0 |
| Total shareholders' equity | 44,276 | 44,962 | 44,757 | (2) | (1) | 44,276 | 44,757 | (1) |
| Tangible shareholders' equity | 39,359 | 40,026 | 36,022 | (2) | 9 | 39,359 | 36,022 | 9 |
| **Basel III regulatory capital and leverage statistics** | | | | | | | | |
| CET1 ratio (%) | 14.1 | 14.2 | 14.0 | – | – | 14.1 | 14.0 | – |
| Look-through CET1 ratio (%) | 12.0 | 11.8 | 10.2 | – | – | 12.0 | 10.2 | – |
| Look-through CET1 leverage ratio (%) | 3.4 | 3.3 | 2.8 | – | – | 3.4 | 2.8 | – |
| Look-through Tier 1 leverage ratio (%) | 4.6 | 4.4 | 3.9 | – | – | 4.6 | 3.9 | – |
| **Share information** | | | | | | | | |
| Shares outstanding (million) | 2,088.3 | 2,081.4 | 1,633.7 | 0 | 28 | 2,088.3 | 1,633.7 | 28 |
| of which common shares issued | 2,089.9 | 2,089.9 | 1,638.4 | 0 | 28 | 2,089.9 | 1,638.4 | 28 |
| of which treasury shares | (1.6) | (8.5) | (4.7) | (81) | (66) | (1.6) | (4.7) | (66) |
| Book value per share (CHF) | 21.20 | 21.60 | 27.40 | (2) | (23) | 21.20 | 27.40 | (23) |
| Tangible book value per share (CHF) | 18.85 | 19.23 | 22.05 | (2) | (15) | 18.85 | 22.05 | (15) |
| Market capitalization (CHF million) | 26,563 | 21,547 | 38,371 | 23 | (31) | 26,563 | 38,371 | (31) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 47,690 | 47,180 | 48,090 | 1 | (1) | 47,690 | 48,090 | (1) |

See relevant tables for additional information on these metrics.

# Financial Report 3Q16


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For purposes of this report, unless the context otherwise requires, the terms "Credit Suisse," "the Group," "we," "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the Swiss bank subsidiary of the Group, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar. We use the term "the Bank" when we are only referring to Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

Abbreviations are explained in the List of abbreviations in the back of this report.

Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report.

In various tables, use of "–" indicates not meaningful or not applicable.

# MESSAGE FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

**Dear shareholders**

3Q16 was a period of continued progress for Credit Suisse. The Group and all operating divisions were profitable. We remained focused on implementing our strategy with discipline, delivering further reductions in cost as we lower our break-even point. Our client franchises across Swiss Universal Bank (SUB), Asia Pacific (APAC) and International Wealth Management (IWM) achieved a profitable quarter, with continued healthy net asset inflows at solid margins. Our advisory and underwriting teams in Investment Banking & Capital Markets (IBCM) stayed close to our clients during the quarter, gaining market share in key product areas. In Global Markets (GM), we had a second profitable quarter this year with notable strength in our Credit franchises. The Strategic Resolution Unit (SRU) achieved further reductions in risk-weighted assets (RWA) and leverage exposure as well as a significant reduction in adjusted* costs. This is an important source of capital for the Group, allowing resources to be reinvested in APAC, IWM, SUB and IBCM, where we expect to generate higher returns. We further strengthened our capital position with a CET1 ratio of 12.0% and CET1 leverage ratio of 3.4% on a look-through basis as of end-3Q16.



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

**Financial performance**

Credit Suisse reported net income attributable to shareholders of CHF 41 million and pre-tax income of CHF 222 million in 3Q16 (adjusted*: CHF 327 million). SUB, APAC and IWM were significant contributors to this result, generating combined adjusted* pre-tax income of CHF 847 million. They attracted net new assets (NNA) of CHF 9.2 billion in their wealth management businesses during the quarter and a total of CHF 30.9 billion since the beginning of 2016.

In our Swiss home market, where we offer expert service and advice to the full spectrum of clients, SUB delivered adjusted* pre-tax income of CHF 431 million in 3Q16. We made further progress in growing our *Bank for Entrepreneurs*, which combines our wealth management and corporate banking capabilities. More clients signed up to our *Credit Suisse Invest* offering, which drove mandates penetration of 29% at end-3Q16, an increase of 5 percentage points compared to 3Q15. Our investment bank in Switzerland maintained its leading market share in terms of announced mergers and acquisitions transactions[1] and debt capital market deals[2]. Our Swiss legal entity Credit Suisse (Schweiz) AG is on track to start operations in November 2016. This important step will enhance the Group's resolvability in accordance with regulatory requirements. The planned partial (20-30%) initial public offering of Credit Suisse (Schweiz) AG is scheduled to take place by end-2017, market conditions permitting[3].

In APAC, we delivered adjusted* pre-tax income of CHF 175 million in 3Q16. Our integrated approach to serving ultra-high-net-worth-individuals (UHNWI) and entrepreneur clients has allowed us to grow revenues in APAC. We reported record assets under management of CHF 169 billion and NNA of CHF 4.6 billion at end-3Q16, driven by the quality and effectiveness of the integrated approach we take between wealth management and investment banking. The division achieved an annualized NNA growth rate of 12%. Our advisory and underwriting business ranked #1 in terms of share of wallet in Asia Pacific ex-Japan among international banks[4] in 9M16.

In IWM, we delivered a robust performance in 3Q16 with adjusted* pre-tax income of CHF 241 million despite lower levels of client activity. In wealth management, we achieved strong NNA of CHF 4.4 billion, representing an annualized growth rate of 6%. Our growth initiatives, including the launch of the Strategic Client Partners unit with a dedicated coverage team, have allowed us to create further value for our UHNWI clients. In Asset Management, we had a strong quarter with asset inflows of CHF 5.0 billion, including notable contributions from emerging markets and fixed income products.

IBCM had a profitable quarter with adjusted* pre-tax income of USD 55 million. In Advisory, we continued to leverage the strength of our global franchise, with a number of marquee transactions exceeding USD 10 billion[5] announced during 3Q16. Across our IBCM franchise, our global reach and the connectivity between teams is stronger than ever. This reflects our integrated approach to client coverage across our UHNWI, corporate and financial sponsor client base, combined with industry and financing capabilities.

GM was profitable with adjusted* pre-tax income of USD 150 million in 3Q16 in spite of a reduction of 16% of RWA and of 14% of revenues year on year. A number of our client franchises had a strong quarter compared to 3Q15, particularly in Credit.

Global Credit Products globally delivered its best third quarter performance since 2013 as our teams stayed close to clients across high yield and investment grade markets. This was offset by a weaker contribution from our equities businesses, particularly in equity derivatives and equities trading in Europe. In the US, our Equities franchise held up well and we maintained our strong positions with our core clients across Cash and Prime Services. We continue to make progress in creating operating leverage in GM and expect to approach our end-2018 cost target of USD 5.4 billion by end-2016. Our focus on costs played a key role in GM's 3Q16 profitability.

The SRU continued to make progress in reducing costs and capital. Since 3Q15, RWA, leverage exposure and adjusted* operating costs were reduced by USD 20 billion, USD 78 billion and USD 310 million, respectively.

**Improved capital position**

We further improved our capital position and reported a look-through CET1 capital ratio of 12.0% at end-3Q16, compared to 11.8% at end-2Q16. The look-through CET1 leverage ratio was 3.4% at end-3Q16.

**Outlook**

We are delivering on our strategy and are maintaining a quality dialogue with our clients across wealth management and investment banking. Looking ahead, we expect market activity to continue to be influenced by geopolitical and macro-economic uncertainty over the next several quarters and the outlook to remain challenging. We believe that we are on the right path and are making progress on implementing our strategy. These efforts are driven by the hard work and dedication of our employees, whom we thank wholeheartedly for their relentless and daily efforts, and the support of our clients, who entrust us with their business, and of our shareholders around the globe.

Best regards



Urs Rohner
Chairman of the
Board of Directors

Tidjane Thiam
Chief Executive Officer

November 2016

* Adjusted results are non-GAAP financial measures. For a reconciliation of the adjusted results to the most directly comparable US GAAP measures, see Reconciliation of adjusted results" tables in I – Credit Suisse results.

[1] Source: Thomson Securities, SDC Platinum, Credit Suisse.

[2] Source: International Financial Review.

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

[4] Source: Dealogic as of October 2016.

[5] Source: Dealogic as of September 30, 2016.

**Important information**

When we refer to wealth management focused divisions throughout this document, we mean APAC, IWM and SUB. References to the "wealth management" businesses in APAC, IWM and SUB refer to those divisions' Private Banking businesses.

When we refer to operating divisions throughout this document, we mean SUB, IWM, APAC, IBCM and GM.

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

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

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

Mandates penetration reflects advisory and discretionary mandates as percentage of total AuM, excluding AuM from the external asset manager (EAM) business.

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

This document contains forward-looking statements that involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward-looking statements. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements, including those we identify in "Risk Factors" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2015 filed with the US Securities and Exchange Commission, and in other public filings and press releases. We do not intend to update these forward-looking statements except as may be required by applicable law.

# Credit Suisse at a glance

## Credit Suisse

Our strategy builds on Credit Suisse's core strengths: its position as a leading global wealth manager, its specialist investment banking capabilities and its strong presence in our home market of Switzerland. We take a balanced approach to capture the wealth management opportunities in emerging markets, the largest of which is in the Asia Pacific region, while also serving key developed markets with an emphasis on Switzerland. Founded in 1856, we today have a global reach with operations in about 50 countries and 47,690 employees from over 150 different nations. Our broad footprint helps us to generate a geographically balanced stream of revenues and net new assets and allows us to capture growth opportunities around the world. We serve our clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specializing in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with our strategic direction. Our business divisions cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

## Swiss Universal Bank

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

## International Wealth Management

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

## Asia Pacific

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

## Global Markets

The Global Markets division offers a broad range of equities and fixed income products and services and focuses on client-driven businesses and on supporting Credit Suisse's private banking businesses and their clients. Our suite of products and services includes global securities sales, trading and execution services, prime brokerage, underwriting and comprehensive investment research. Our clients include financial institutions, corporations, governments, institutional investors – including pension funds and hedge funds – and private individuals around the world.

## Investment Banking & Capital Markets

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

## Strategic Resolution Unit

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

# Credit Suisse results


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# Operating environment

During 3Q16, global economic indicators were generally positive in developed economies, and there were further signs of stabilization in major emerging markets. Global equity markets ended the quarter higher and world bank stocks outperformed. Government bond yields were mixed. The US dollar depreciated against the euro and Japanese yen.

## ECONOMIC ENVIRONMENT

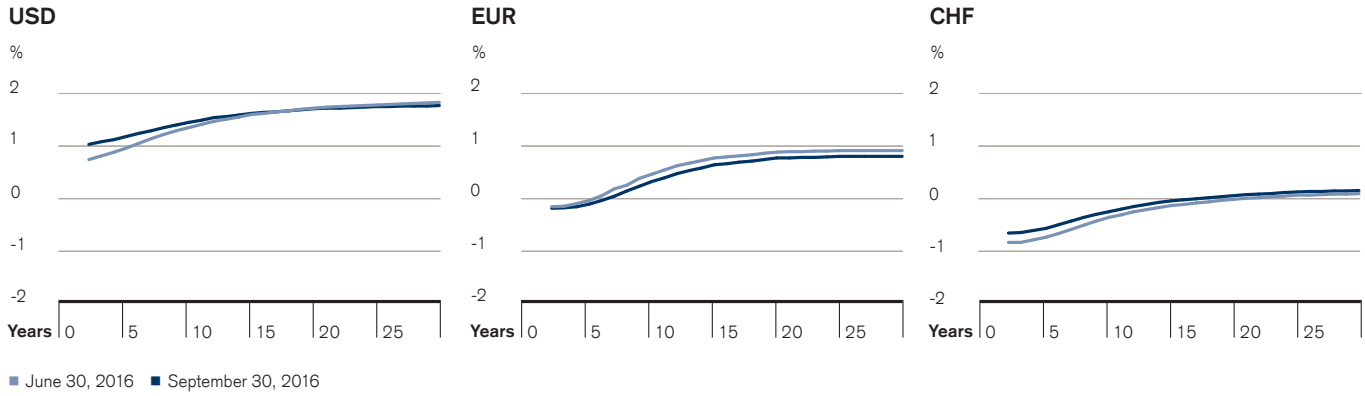
Economic data in the US was mixed in 3Q16, as business surveys showed sentiment weakened and the strong recovery in retail sales that had taken place since the beginning of the year moderated. Sentiment among consumers and in the homebuilding sector remained at relatively high levels, and improvements in the labor market continued. Inflation stayed close to the rates seen during the first two quarters of the year. Eurozone economic data remained largely positive. Recent economic data for the UK indicated that to date the immediate economic impact of the UK referendum on continued EU membership has been relatively limited. Within emerging markets, major economies such as China and Brazil showed signs of stabilization.

The US Federal Reserve (Fed) left policy rates unchanged at its meetings in July and September. The European Central Bank (ECB) and the Swiss National Bank (SNB) also left their monetary policies on hold during the quarter. However, in August the Bank of England (BoE) announced significant additional measures to ease monetary policy by increasing the size of its asset purchase program and cutting the policy rate. The Bank of Japan announced a shift towards targeting specific yield levels and away from specifying the amounts of asset purchases, while the Reserve Bank of Australia again lowered interest rates. Among major emerging markets, only the Russian central bank lowered interest rates again, while those in China, India and Brazil left them unchanged.

Global equities appreciated in 3Q16 on the back of heightened expectations that central banks would continue to implement accommodative monetary policies (refer to the charts "Equity markets"). Among developed markets, UK and Japan equities outperformed global equity markets while Swiss and US equities lagged behind. UK equities mainly benefited from stabilizing commodity prices and a weaker British pound. Japanese equities gained from higher expectations of fiscal and monetary stimulus measures. Emerging markets outperformed developed markets, with Asia leading the outperformance driven by the stabilization of macroeconomic data in China. During the quarter, equity market volatility, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), remained low. However in September, volatility was higher due to an increased likelihood that the Fed would raise interest rates in the near term and concerns regarding the financial health of certain European banks (refer to the charts "Equity markets"). Risk appetite, as measured by the Credit Suisse Equity Risk Appetite Index, remained largely unchanged throughout the quarter. The Credit Suisse Hedge Fund Index increased 1.7% in 3Q16.

### Yield curves

In 3Q16, USD yield curves increased mainly at the short-end of the maturity curve, EUR yields decreased and CHF yields increased.

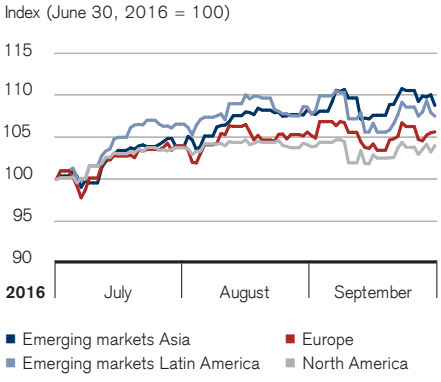



**Source:** Datastream, Credit Suisse

## Equity markets

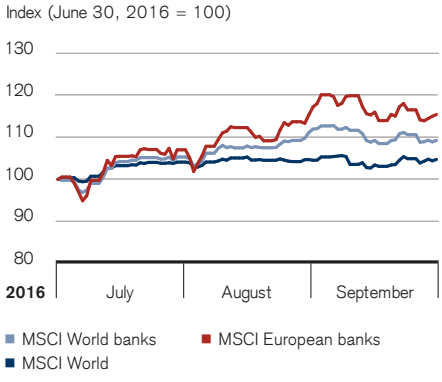
Equity markets ended the quarter higher, with emerging markets equities and European bank equities outperforming. Equity market volatility decreased compared to the previous quarter.

**Performance region**



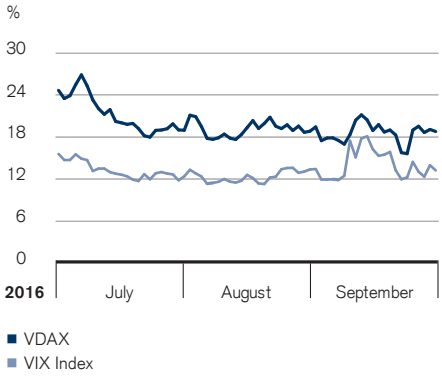

**Source:** Datastream, MSCI Barra, Credit Suisse

**Performance world banks**




**Source:** Datastream, MSCI Barra, Credit Suisse

**Volatility**




**Source:** Datastream, Credit Suisse

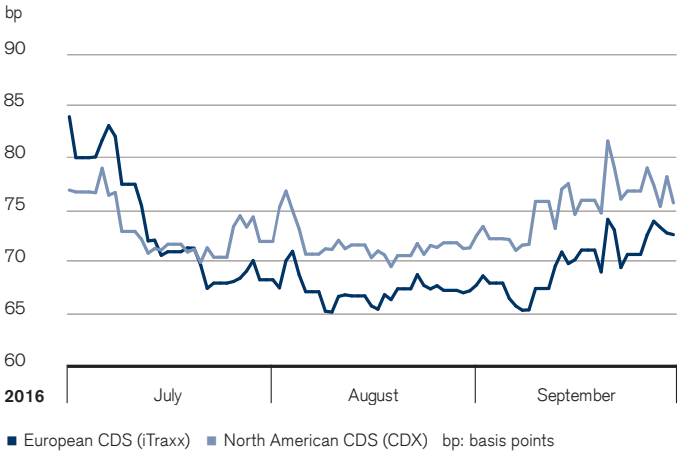
After a decline in the first half of the year, government bond yields were trading lower in euros, higher in Swiss francs, and mixed in US dollars in 3Q16 (refer to the charts "Yield curves"). The yield movement was mainly a reflection of the positive risk environment following the UK referendum, with UK economic data remaining resilient. Nevertheless, government bond yields in British pounds declined, as market participants discounted the potential for monetary easing by the BoE following the UK referendum. High yield and emerging market bonds continued to perform well, with local currency bonds recording the best total returns on a US dollar unhedged basis. Among investment grade corporate bonds, the utility sector performed the best, benefiting from their longer term to maturity as credit spreads compressed. At the same time, the spread tightening was the most significant for industrials, which was also supported by the ECB corporate bond buying program (refer to the charts "Credit spreads").

The US dollar depreciated slightly against the euro and Japanese yen in 3Q16 as the Fed kept its monetary policy unchanged. In this environment, currencies which offered some interest rate advantage such as the Australian and New Zealand dollar gained modestly. The Swiss franc traded within a narrow band against the euro. Despite some intermittent recoveries, the British pound was again the weakest currency among the G-10 countries in 3Q16. In emerging markets, the South African rand was the strongest currency, while the Mexican peso was the weakest currency.

Commodity prices, as reflected by the Credit Suisse Commodities Benchmark, decreased 1.8%. Energy markets had a volatile quarter and ended the quarter lower. Agriculture markets underperformed after an increase in autumn harvest estimates in response to good summer weather in key growing regions. Precious and industrial metals markets were less volatile and ended the quarter higher.

## Credit spreads

Despite an increase in September, credit spreads were lower at the end of 3Q16.




**Source:** Bloomberg, Credit Suisse

## Market volumes (growth in %)

| | Global | | Europe | |
|---|---|---|---|---|
| end of 3Q16 | QoQ | YoY | QoQ | YoY |
| Equity trading volume [1] | (16) | (24) | (17) | (28) |
| Announced mergers and acquisitions [2] | (4) | (24) | (9) | (24) |
| Completed mergers and acquisitions [2] | (3) | (17) | 14 | (14) |
| Equity underwriting [2] | 2 | 22 | (51) | (13) |
| Debt underwriting [2] | (5) | 27 | (11) | 17 |
| Syndicated lending – investment grade [2] | (23) | 0 [3] | – | – |

[1] London Stock Exchange, Borsa Italiana, Deutsche Börse and BME. Global also includes ICE and NASDAQ.
[2] Dealogic.
[3] 9M16 vs 9M15.

### SECTOR ENVIRONMENT

Bank equities in general outperformed global stocks in 3Q16, partially reversing their underperformance in the first half of 2016. European bank stocks outperformed world bank stocks (refer to the charts “Equity markets”).

In private banking, market conditions remained challenging in light of the political and economic uncertainty around the impact of the UK decision to leave the EU, the persistence of the low interest rate environment, the uncertainty concerning central banks’ monetary policies going forward and increased concerns about global growth. The sector continues to face significant structural pressure as it adapts to industry-specific regulatory changes, tax regularization and anti-money laundering initiatives. In particular, regulatory requirements for investment advisory services continue to increase, including in the areas of client suitability and appropriateness of advice, information and documentation.

In investment banking, equity trading volumes decreased globally and in Europe compared to 2Q16 and 3Q15. Global announced mergers and acquisitions (M&A) and global completed M&A volumes also decreased compared to 2Q16 and 3Q15. European completed M&A volumes increased compared to 2Q16, but decreased compared to 3Q15. Global equity underwriting volumes were higher compared to 2Q16 and 3Q15, while European equity underwriting volumes were lower for both periods. Global and European debt underwriting volumes were lower compared to 2Q16 and higher compared to 3Q15. Compared to 2Q16, total US fixed income trading volumes were higher, mainly driven by an increase in mortgage-backed and corporate volumes, and higher compared to 3Q15, mainly driven by an increase in mortgage-backed, federal agency and corporate volumes.

# Credit Suisse

In 3Q16, we recorded net income attributable to shareholders of CHF 41 million. Diluted earnings per share were CHF 0.02 and return on equity attributable to shareholders was 0.4%. As of the end of 3Q16, our BIS CET1 ratio was 12.0% on a look-through basis.

## Results

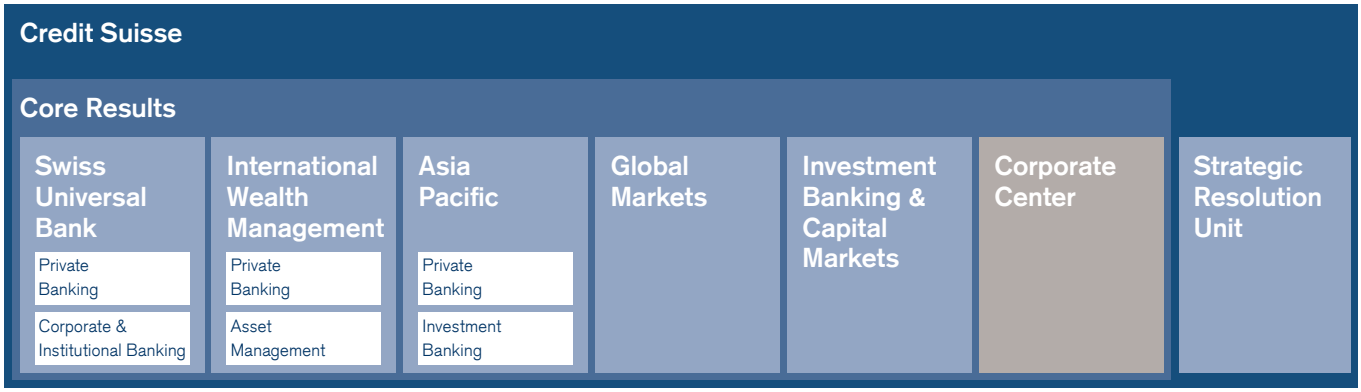
| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 1,930 | 1,999 | 2,084 | (3) | (7) | 5,940 | 7,105 | (16) |
| Commissions and fees | 2,680 | 2,796 | 2,892 | (4) | (7) | 8,151 | 9,130 | (11) |
| Trading revenues | 232 | 94 | 801 | 147 | (71) | 55 | 2,689 | (98) |
| Other revenues | 554 | 219 | 208 | 153 | 166 | 996 | 663 | 50 |
| **Net revenues** | **5,396** | **5,108** | **5,985** | 6 | (10) | **15,142** | **19,587** | (23) |
| **Provision for credit losses** | **55** | **(28)** | **110** | – | (50) | **177** | **191** | (7) |
| Compensation and benefits | 2,674 | 2,734 | 2,507 | (2) | 7 | 7,890 | 8,397 | (6) |
| General and administrative expenses | 1,978 | 1,760 | 2,100 | 12 | (6) | 5,586 | 5,766 | (3) |
| Commission expenses | 322 | 352 | 416 | (9) | (23) | 1,061 | 1,214 | (13) |
| Restructuring expenses | 145 | 91 | – | 59 | – | 491 | – | – |
| Total other operating expenses | 2,445 | 2,203 | 2,516 | 11 | (3) | 7,138 | 6,980 | 2 |
| **Total operating expenses** | **5,119** | **4,937** | **5,023** | 4 | 2 | **15,028** | **15,377** | (2) |
| **Income/(loss) from continuing operations before taxes** | **222** | **199** | **852** | 12 | (74) | **(63)** | **4,019** | – |
| Income tax expense | 185 | 21 | 83 | – | 123 | 27 | 1,150 | (98) |
| **Net income/(loss)** | **37** | **178** | **769** | (79) | (95) | **(90)** | **2,869** | – |
| Net income/(loss) attributable to noncontrolling interests | (4) | 8 | (10) | – | (60) | 1 | (15) | – |
| **Net income/(loss) attributable to shareholders** | **41** | **170** | **779** | (76) | (95) | **(91)** | **2,884** | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 1.8 | 1.6 | 6.5 | – | – | (0.2) | 9.8 | – |
| Cost/income ratio | 94.9 | 96.7 | 83.9 | – | – | 99.2 | 78.5 | – |
| Effective tax rate | 83.3 | 10.6 | 9.7 | – | – | (42.9) | 28.6 | – |
| **Earnings per share (CHF)** | | | | | | | | |
| Basic earnings/(loss) per share | 0.02 | 0.08 | 0.46 | (75) | (96) | (0.05) | 1.68 | – |
| Diluted earnings/(loss) per share | 0.02 | 0.08 | 0.44 | (75) | (95) | (0.05) | 1.64 | – |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity attributable to shareholders | 0.4 | 1.5 | 7.1 | – | – | (0.3) | 9.0 | – |
| Return on tangible equity attributable to shareholders [1] | 0.4 | 1.7 | 8.9 | – | – | (0.3) | 11.2 | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 806,711 | 821,164 | 858,420 | (2) | (6) | 806,711 | 858,420 | (6) |
| Risk-weighted assets [2] | 270,462 | 271,455 | 284,622 | 0 | (5) | 270,462 | 284,622 | (5) |
| Leverage exposure [2] | 948,744 | 966,548 | 1,044,869 | (2) | (9) | 948,744 | 1,044,869 | (9) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 47,690 | 47,180 | 48,090 | 1 | (1) | 47,690 | 48,090 | (1) |

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

[2] Disclosed on a look-through basis.

## Credit Suisse reporting structure

Credit Suisse includes the results of our six reporting segments, including the Strategic Resolution Unit, and the Corporate Center. Core Results do not include revenues and expenses from our Strategic Resolution Unit.




### RESULTS SUMMARY

In 3Q16, Credit Suisse reported net income attributable to shareholders of CHF 41 million compared to CHF 170 million in 2Q16 and CHF 779 million in 3Q15.

**Net revenues** of CHF 5,396 million increased 6% compared to 2Q16, primarily reflecting higher net revenues in Swiss Universal Bank, the Strategic Resolution Unit and Corporate Center, partially offset by lower net revenues in Global Markets. The increase in Swiss Universal Bank was mainly due to gains on the sale of real estate of CHF 346 million. The movement in net revenues in the Strategic Resolution Unit was primarily driven by lower negative valuation adjustments in the legacy investment banking portfolio and lower overall funding costs for the division. Net revenues in Corporate Center increased, primarily due to improved treasury results. The decrease in net revenues in Global Markets reflected a seasonal slowdown in client activity exacerbated by challenging market conditions, particularly in equities.

Net revenues decreased 10% compared to 3Q15, primarily reflecting lower net revenues in Corporate Center and Global Markets, partially offset by higher net revenues in Swiss Universal Bank mainly due to the gains on the sale of real estate. Net revenues in Corporate Center decreased, primarily driven by fair value gains from movements in own credit spreads in 3Q15, which, beginning in 1Q16, are no longer recorded in the consolidated income statement under US generally accepted accounting principles (US GAAP). Net revenues in Global Markets declined primarily due to challenging equity trading conditions in Europe, Middle East and Africa (EMEA). The movement in net revenues in the Strategic Resolution Unit was primarily driven by lower revenues from the restructuring of select onshore businesses, in particular the transfer of our US private banking business, which was announced in October 2015, and lower negative valuation adjustments in the legacy investment banking portfolio.

**Provision for credit losses** of CHF 55 million primarily related to a net provision for credit losses of CHF 34 million in Asia Pacific and CHF 30 million in Swiss Universal Bank.

**Total operating expenses** of CHF 5,119 million increased 4% compared to 2Q16, reflecting a 12% increase in general and administrative expenses, including higher litigation provisions of CHF 357 million, mainly in connection with mortgage-related matters, and a 59% increase in restructuring expenses. These increases were partially offset by a 2% decrease in compensation and benefits, reflecting lower social security costs and lower salaries and variable compensation. We incurred CHF 145 million of restructuring expenses in 3Q16 in connection with our new strategy, of which CHF 123 million related to severance and other compensation expenses.

Total operating expenses increased 2% compared to 3Q15, reflecting a 7% increase in compensation and benefits, mainly due to higher discretionary compensation expenses, reflecting lower compensation accruals in 3Q15, and certain deferred compensation retention awards relating to Global Markets and Investment Banking & Capital Markets, and the restructuring expenses in 3Q16, partially offset by a 6% decrease in general and administrative expenses, mainly due to lower professional services expenses.

**Income tax expense** of CHF 185 million recorded in 3Q16 mainly reflected the impact of the geographical mix of results, the impact of non-deductible litigation accruals, the provision increase for tax matters in Italy which have been resolved and the impact of a deferred tax asset re-assessment in Switzerland. Overall, net deferred tax assets increased CHF 164 million to CHF 6,435 million, mainly driven by earnings and the 3Q16 deferred tax asset re-assessment, partially offset by a decrease relating to the gains on the sale of real estate. Deferred tax assets on net operating losses increased CHF 362 million to CHF 2,956 million during 3Q16. The Credit Suisse effective tax rate was 83.3% in 3Q16, compared to 10.6% in 2Q16.

▸ Refer to “Note 23 – Tax” and “Note 31 – Litigation” in III – Condensed consolidated financial statements – unaudited for further information.

## Overview of Results

| in / end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **3Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,667** | **1,081** | **917** | **1,357** | **467** | **72** | **5,561** | **(165)** | **5,396** |
| **Provision for credit losses** | **30** | **0** | **34** | **(5)** | **(9)** | **0** | **50** | **5** | **55** |
| Compensation and benefits | 474 | 513 | 413 | 642 | 313 | 185 | 2,540 | 134 | 2,674 |
| Total other operating expenses | 405 | 323 | 318 | 633 | 124 | 94 | 1,897 | 548 | 2,445 |
| of which general and administrative expenses | 320 | 256 | 224 | 466 | 109 | 89 | 1,464 | 514 | 1,978 |
| of which restructuring expenses | 19 | 15 | 23 | 52 | 15 | 0 | 124 | 21 | 145 |
| **Total operating expenses** | **879** | **836** | **731** | **1,275** | **437** | **279** | **4,437** | **682** | **5,119** |
| **Income/(loss) before taxes** | **758** | **245** | **152** | **87** | **39** | **(207)** | **1,074** | **(852)** | **222** |
| Return on regulatory capital (%) | 24.7 | 20.5 | 11.3 | 2.5 | 6.1 | – | 10.4 | – | 1.8 |
| Cost/income ratio (%) | 52.7 | 77.3 | 79.7 | 94.0 | 93.6 | – | 79.8 | – | 94.9 |
| Total assets | 222,164 | 86,457 | 93,079 | 245,492 | 19,931 | 62,007 | 729,130 | 77,581 | 806,711 |
| Goodwill | 607 | 1,532 | 1,500 | 457 | 629 | 0 | 4,725 | 0 | 4,725 |
| Risk-weighted assets [1] | 65,571 | 33,457 | 32,264 | 51,127 | 18,019 | 16,756 | 217,194 | 53,268 | 270,462 |
| Leverage exposure [1] | 246,254 | 88,899 | 108,495 | 286,694 | 44,240 | 59,154 | 833,736 | 115,008 | 948,744 |
| **2Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,337** | **1,145** | **911** | **1,630** | **543** | **(95)** | **5,471** | **(363)** | **5,108** |
| **Provision for credit losses** | **9** | **16** | **3** | **(17)** | **0** | **(2)** | **9** | **(37)** | **(28)** |
| Compensation and benefits | 490 | 540 | 419 | 778 | 308 | 37 | 2,572 | 162 | 2,734 |
| Total other operating expenses | 385 | 344 | 283 | 715 | 100 | 105 | 1,932 | 271 | 2,203 |
| of which general and administrative expenses | 309 | 266 | 203 | 543 | 108 | 101 | 1,530 | 230 | 1,760 |
| of which restructuring expenses | 4 | 15 | 10 | 50 | (8) | 0 | 71 | 20 | 91 |
| **Total operating expenses** | **875** | **884** | **702** | **1,493** | **408** | **142** | **4,504** | **433** | **4,937** |
| **Income/(loss) before taxes** | **453** | **245** | **206** | **154** | **135** | **(235)** | **958** | **(759)** | **199** |
| Return on regulatory capital (%) | 14.9 | 20.6 | 15.6 | 4.3 | 22.6 | – | 9.4 | – | 1.6 |
| Cost/income ratio (%) | 65.4 | 77.2 | 77.1 | 91.6 | 75.1 | – | 82.3 | – | 96.7 |
| Total assets | 224,866 | 90,156 | 92,194 | 239,419 | 22,064 | 54,407 | 723,106 | 98,058 | 821,164 |
| Goodwill | 609 | 1,540 | 1,505 | 459 | 632 | 0 | 4,745 | 0 | 4,745 |
| Risk-weighted assets [1] | 64,604 | 33,613 | 31,644 | 50,750 | 16,513 | 17,850 | 214,974 | 56,481 | 271,455 |
| Leverage exposure [1] | 245,108 | 95,442 | 107,595 | 279,099 | 43,756 | 51,743 | 822,743 | 143,805 | 966,548 |
| **3Q15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,364** | **1,093** | **885** | **1,579** | **400** | **752** | **6,073** | **(88)** | **5,985** |
| **Provision for credit losses** | **39** | **11** | **24** | **14** | **0** | **1** | **89** | **21** | **110** |
| Compensation and benefits | 469 | 489 | 404 | 536 | 228 | 76 | 2,202 | 305 | 2,507 |
| Total other operating expenses | 456 | 396 | 295 | 766 | 107 | 135 | 2,155 | 361 | 2,516 |
| of which general and administrative expenses | 387 | 335 | 207 | 625 | 106 | 121 | 1,781 | 319 | 2,100 |
| **Total operating expenses** | **925** | **885** | **699** | **1,302** | **335** | **211** | **4,357** | **666** | **5,023** |
| **Income/(loss) before taxes** | **400** | **197** | **162** | **263** | **65** | **540** | **1,627** | **(775)** | **852** |
| Return on regulatory capital (%) | 13.4 | 17.0 | 12.5 | 6.5 | 12.6 | – | 15.1 | – | 6.5 |
| Cost/income ratio (%) | 67.8 | 81.0 | 79.0 | 82.5 | 83.8 | – | 71.7 | – | 83.9 |
| Total assets | 214,239 | 88,592 | 86,995 | 263,634 | 12,847 | 85,898 | 752,205 | 106,215 | 858,420 |
| Goodwill | 606 | 1,558 | 2,259 | 3,095 | 1,008 | 0 | 8,526 | 0 | 8,526 |
| Risk-weighted assets [1] | 59,441 | 32,271 | 26,606 | 61,555 | 15,060 | 16,178 | 211,111 | 73,511 | 284,622 |
| Leverage exposure [1] | 234,406 | 93,818 | 100,402 | 306,069 | 35,694 | 82,745 | 853,134 | 191,735 | 1,044,869 |

[1] Disclosed on a look-through basis.

## Overview of Results (continued)

| in / end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **9M16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **4,360** | **3,399** | **2,735** | **4,232** | **1,398** | **87** | **16,211** | **(1,069)** | **15,142** |
| **Provision for credit losses** | **45** | **14** | **15** | **1** | **20** | **(1)** | **94** | **83** | **177** |
| Compensation and benefits | 1,440 | 1,554 | 1,236 | 2,091 | 908 | 155 | 7,384 | 506 | 7,890 |
| Total other operating expenses | 1,232 | 1,041 | 862 | 2,097 | 358 | 342 | 5,932 | 1,206 | 7,138 |
| of which general and administrative expenses | 959 | 827 | 617 | 1,526 | 323 | 298 | 4,550 | 1,036 | 5,586 |
| of which restructuring expenses | 63 | 38 | 34 | 202 | 34 | 0 | 371 | 120 | 491 |
| **Total operating expenses** | **2,672** | **2,595** | **2,098** | **4,188** | **1,266** | **497** | **13,316** | **1,712** | **15,028** |
| **Income/(loss) before taxes** | **1,643** | **790** | **622** | **43** | **112** | **(409)** | **2,801** | **(2,864)** | **(63)** |
| Return on regulatory capital (%) | 18.0 | 22.2 | 15.9 | 0.4 | 6.4 | – | 9.1 | – | (0.2) |
| Cost/income ratio (%) | 61.3 | 76.3 | 76.7 | 99.0 | 90.6 | – | 82.1 | – | 99.2 |
| **9M15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **4,226** | **3,379** | **3,013** | **5,656** | **1,367** | **1,309** | **18,950** | **637** | **19,587** |
| **Provision for credit losses** | **95** | **12** | **32** | **14** | **0** | **1** | **154** | **37** | **191** |
| Compensation and benefits | 1,450 | 1,575 | 1,167 | 2,181 | 898 | 217 | 7,488 | 909 | 8,397 |
| Total other operating expenses | 1,370 | 1,045 | 820 | 2,080 | 306 | 338 | 5,959 | 1,021 | 6,980 |
| of which general and administrative expenses | 1,159 | 861 | 565 | 1,655 | 304 | 323 | 4,867 | 899 | 5,766 |
| **Total operating expenses** | **2,820** | **2,620** | **1,987** | **4,261** | **1,204** | **555** | **13,447** | **1,930** | **15,377** |
| **Income/(loss) before taxes** | **1,311** | **747** | **994** | **1,381** | **163** | **753** | **5,349** | **(1,330)** | **4,019** |
| Return on regulatory capital (%) | 14.3 | 21.7 | 23.0 | 11.0 | 11.6 | – | 16.2 | – | 9.8 |
| Cost/income ratio (%) | 66.7 | 77.5 | 65.9 | 75.3 | 88.1 | – | 71.0 | – | 78.5 |

### EMPLOYEES

Headcount at the end of 3Q16 was 47,690, an increase of 510 compared to 2Q16, primarily reflecting seasonal graduate hiring, business growth in Asia Pacific and International Wealth Management and increases relating to our risk management and compliance functions, partially offset by the impact of our cost efficiency initiatives.

### Number of employees

| end of | **3Q16** | 2Q16 | 3Q15 |
|---|---|---|---|
| **Number of employees (full-time equivalents)** | | | |
| Swiss Universal Bank | 13,440 | 13,280 | 13,230 |
| International Wealth Management | 10,350 | 10,010 | 9,620 |
| Asia Pacific | 7,140 | 7,020 | 6,390 |
| Global Markets | 11,680 | 11,620 | 11,800 |
| Investment Banking & Capital Markets | 2,910 | 2,800 | 2,790 |
| Strategic Resolution Unit | 1,840 | 2,050 | 3,820 |
| Corporate Center | 330 | 400 | 440 |
| **Number of employees** | **47,690** | **47,180** | **48,090** |

### REGULATORY CAPITAL

As of the end of 3Q16, our BIS CET1 ratio was 12.0% and our risk-weighted assets were CHF 270.5 billion, both on a look-through basis.

▸ Refer to "Capital management" in II – Treasury, risk, balance sheet and off-balance sheet for further information.

### INFORMATION AND DEVELOPMENTS

#### Format of presentation

In managing the business, revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense from financing and hedging positions. For this reason, individual revenue categories may not be indicative of performance.

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

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

As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and

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

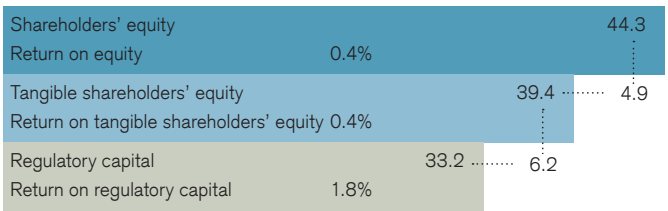
The calculation of divisional economic risk capital metrics and associated ratios under the new organization required certain additional assumptions and allocation methods which may not be required for future periods given the level of information then available.

▸ Refer to "Leverage metrics" and "Economic risk capital review" in II – Treasury, risk, balance sheet and off-balance sheet – Capital management and Risk management, respectively, for further information.

**Return on regulatory capital**

Credit Suisse measures firm-wide returns against total shareholders' equity and tangible shareholders' equity. In addition, it also measures the efficiency of the firm and its divisions with regard to the usage of capital as determined by the minimum requirements set by regulators. This regulatory capital is calculated as the worst of 10% of risk-weighted assets and 3.5% of the leverage exposure. Return on regulatory capital is calculated using income after tax and assumes a tax rate of 30% and capital allocated based on the worst of 10% of average risk-weighted assets and 3.5% of average leverage exposure. For Global Markets and Investment Banking & Capital Markets, return on regulatory capital is based on US dollar denominated numbers. These percentages are used in the calculation in order to reflect the 2019 fully phased in Swiss regulatory minimum requirements for Basel III common equity tier 1 (CET1) capital and leverage ratio.

End of / in 3Q16 (CHF billion, except where indicated)




**Management changes**

Effective September 6, 2016, Brian Chin was appointed to the Executive Board as CEO of Global Markets. Tim O'Hara stepped down from the Executive Board and his position as CEO of Global Markets.

**Fair valuations**

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

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 29 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information.

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

As of the end of 3Q16, 41% and 25% of our total assets and total liabilities, respectively, were measured at fair value.

The majority of our level 3 assets are recorded in our investment banking businesses. Total assets at fair value recorded as level 3 decreased CHF 5.0 billion to CHF 24.2 billion as of the end of 3Q16, primarily reflecting net transfers out of level 3, net settlements and net sales mainly in trading assets and loans.

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 23.9 billion, compared to CHF 28.8 billion as of the end of 2Q16. As of the end of 3Q16, these assets comprised 3% of total assets and 7% of total assets measured at fair value, both adjusted on the same basis, compared to 4% and 9%, respectively, as of the end of 2Q16.

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

## ADJUSTED RESULTS

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

### Reconciliation of adjusted results

| in | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **3Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,667** | **1,081** | **917** | **1,357** | **467** | **72** | **5,561** | **(165)** | **5,396** |
| Real estate gains | (346) | 0 | 0 | 0 | 0 | 0 | (346) | 0 | (346) |
| **Net revenues adjusted** | **1,321** | **1,081** | **917** | **1,357** | **467** | **72** | **5,215** | **(165)** | **5,050** |
| **Provision for credit losses** | **30** | **0** | **34** | **(5)** | **(9)** | **0** | **50** | **5** | **55** |
| **Total operating expenses** | **879** | **836** | **731** | **1,275** | **437** | **279** | **4,437** | **682** | **5,119** |
| Restructuring expenses | (19) | (15) | (23) | (52) | (15) | 0 | (124) | (21) | (145) |
| Major litigation provisions | 0 | 19 | 0 | (7) | 0 | 0 | 12 | (318) | (306) |
| **Total operating expenses adjusted** | **860** | **840** | **708** | **1,216** | **422** | **279** | **4,325** | **343** | **4,668** |
| **Income/(loss) before taxes** | **758** | **245** | **152** | **87** | **39** | **(207)** | **1,074** | **(852)** | **222** |
| Total adjustments | (327) | (4) | 23 | 59 | 15 | 0 | (234) | 339 | 105 |
| **Adjusted income/(loss) before taxes** | **431** | **241** | **175** | **146** | **54** | **(207)** | **840** | **(513)** | **327** |
| Adjusted return on regulatory capital (%) | 14.0 | 20.1 | 12.9 | 4.1 | 8.6 | – | 8.1 | – | 2.7 |
| **2Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,337** | **1,145** | **911** | **1,630** | **543** | **(95)** | **5,471** | **(363)** | **5,108** |
| **Provision for credit losses** | **9** | **16** | **3** | **(17)** | **0** | **(2)** | **9** | **(37)** | **(28)** |
| **Total operating expenses** | **875** | **884** | **702** | **1,493** | **408** | **142** | **4,504** | **433** | **4,937** |
| Restructuring expenses | (4) | (15) | (10) | (50) | 8 | 0 | (71) | (20) | (91) |
| **Total operating expenses adjusted** | **871** | **869** | **692** | **1,443** | **416** | **142** | **4,433** | **413** | **4,846** |
| **Income/(loss) before taxes** | **453** | **245** | **206** | **154** | **135** | **(235)** | **958** | **(759)** | **199** |
| Total adjustments | 4 | 15 | 10 | 50 | (8) | 0 | 71 | 20 | 91 |
| **Adjusted income/(loss) before taxes** | **457** | **260** | **216** | **204** | **127** | **(235)** | **1,029** | **(739)** | **290** |
| Adjusted return on regulatory capital (%) | 15.0 | 21.9 | 16.4 | 5.8 | 21.1 | – | 10.1 | – | 2.4 |
| **3Q15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,364** | **1,093** | **885** | **1,579** | **400** | **752** | **6,073** | **(88)** | **5,985** |
| Fair value on own debt | – | – | – | – | – | (623) | (623) | – | (623) |
| **Net revenues adjusted** | **1,364** | **1,093** | **885** | **1,579** | **400** | **129** | **5,450** | **(88)** | **5,362** |
| **Provision for credit losses** | **39** | **11** | **24** | **14** | **0** | **1** | **89** | **21** | **110** |
| **Total operating expenses** | **925** | **885** | **699** | **1,302** | **335** | **211** | **4,357** | **666** | **5,023** |
| Major litigation provisions | 0 | (50) | 0 | (127) | 0 | 0 | (177) | (26) | (203) |
| **Total operating expenses adjusted** | **925** | **835** | **699** | **1,175** | **335** | **211** | **4,180** | **640** | **4,820** |
| **Income/(loss) before taxes** | **400** | **197** | **162** | **263** | **65** | **540** | **1,627** | **(775)** | **852** |
| Total adjustments | 0 | 50 | 0 | 127 | 0 | (623) | (446) | 26 | (420) |
| **Adjusted income/(loss) before taxes** | **400** | **247** | **162** | **390** | **65** | **(83)** | **1,181** | **(749)** | **432** |
| Adjusted return on regulatory capital (%) | 13.4 | 21.3 | 12.5 | 9.6 | 12.6 | – | 11.0 | – | 3.3 |

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

## Reconciliation of adjusted results

| in | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **9M16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **4,360** | **3,399** | **2,735** | **4,232** | **1,398** | **87** | **16,211** | **(1,069)** | **15,142** |
| Real estate gains | (346) | 0 | 0 | 0 | 0 | 0 | (346) | 0 | (346) |
| Gains on business sales | 0 | 0 | 0 | 0 | 0 | 52 | 52 | 4 | 56 |
| **Net revenues adjusted** | **4,014** | **3,399** | **2,735** | **4,232** | **1,398** | **139** | **15,917** | **(1,065)** | **14,852** |
| **Provision for credit losses** | **45** | **14** | **15** | **1** | **20** | **(1)** | **94** | **83** | **177** |
| **Total operating expenses** | **2,672** | **2,595** | **2,098** | **4,188** | **1,266** | **497** | **13,316** | **1,712** | **15,028** |
| Restructuring expenses | (63) | (38) | (34) | (202) | (34) | 0 | (371) | (120) | (491) |
| Major litigation provisions | 0 | 19 | 0 | (7) | 0 | 0 | 12 | (318) | (306) |
| **Total operating expenses adjusted** | **2,609** | **2,576** | **2,064** | **3,979** | **1,232** | **497** | **12,957** | **1,274** | **14,231** |
| **Income/(loss) before taxes** | **1,643** | **790** | **622** | **43** | **112** | **(409)** | **2,801** | **(2,864)** | **(63)** |
| Total adjustments | (283) | 19 | 34 | 209 | 34 | 52 | 65 | 442 | 507 |
| **Adjusted income/(loss) before taxes** | **1,360** | **809** | **656** | **252** | **146** | **(357)** | **2,866** | **(2,422)** | **444** |
| Adjusted return on regulatory capital (%) | 14.9 | 22.7 | 16.7 | 2.4 | 8.3 | – | 9.3 | – | 1.2 |
| **9M15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **4,226** | **3,379** | **3,013** | **5,656** | **1,367** | **1,309** | **18,950** | **637** | **19,587** |
| Fair value on own debt | – | – | – | – | – | (995) | (995) | – | (995) |
| Real estate gains | (23) | 0 | 0 | 0 | 0 | 0 | (23) | 0 | (23) |
| **Net revenues adjusted** | **4,203** | **3,379** | **3,013** | **5,656** | **1,367** | **314** | **17,932** | **637** | **18,569** |
| **Provision for credit losses** | **95** | **12** | **32** | **14** | **0** | **1** | **154** | **37** | **191** |
| **Total operating expenses** | **2,820** | **2,620** | **1,987** | **4,261** | **1,204** | **555** | **13,447** | **1,930** | **15,377** |
| Major litigation provisions | 0 | (40) | 0 | (181) | 0 | 0 | (221) | (36) | (257) |
| **Total operating expenses adjusted** | **2,820** | **2,580** | **1,987** | **4,080** | **1,204** | **555** | **13,226** | **1,894** | **15,120** |
| **Income/(loss) before taxes** | **1,311** | **747** | **994** | **1,381** | **163** | **753** | **5,349** | **(1,330)** | **4,019** |
| Total adjustments | (23) | 40 | 0 | 181 | 0 | (995) | (797) | 36 | (761) |
| **Adjusted income/(loss) before taxes** | **1,288** | **787** | **994** | **1,562** | **163** | **(242)** | **4,552** | **(1,294)** | **3,258** |
| Adjusted return on regulatory capital (%) | 14.1 | 22.8 | 23.0 | 12.4 | 11.6 | – | 13.8 | – | 8.0 |

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

## CORE RESULTS

In 3Q16, Core Results net revenues of CHF 5,561 million increased 2% compared to 2Q16, primarily reflecting higher net revenues in Swiss Universal Bank and Corporate Center, partially offset by lower net revenues in Global Markets. Provision for credit losses was CHF 50 million, primarily reflecting net provisions of CHF 34 million in Asia Pacific and CHF 30 million in Swiss Universal Bank. Total operating expenses of CHF 4,437 million were stable compared to 2Q16. General and administrative expenses of CHF 1,464 million decreased 4%, primarily related to Global Markets. Compensation and benefits of CHF 2,540 million were stable compared to 2Q16, primarily due to decreases in Global Markets, International Wealth Management and Swiss Universal Bank, partially offset by an increase in Corporate Center. Restructuring expenses of CHF 124 million increased 75% compared to 2Q16 in connection with our new strategy.

Core Results net revenues decreased 8% compared to 3Q15, primarily reflecting lower net revenues in Corporate Center and Global Markets, partially offset by higher net revenues in Swiss Universal Bank. Total operating expenses increased 2% compared to 3Q15. Compensation and benefits increased 15%, primarily related to increases in Corporate Center, reflecting the deferred compensation retention awards, and in Global Markets and Investment Banking & Capital Markets, due to higher discretionary compensation expenses, reflecting lower compensation accruals in 3Q15. Total operating expenses in 3Q16 were also impacted by restructuring expenses of CHF 124 million. The increases in total operating expenses were largely offset by an 18% decrease in general and administrative expenses, primarily related to Global Markets, reflecting the absence of a CHF 127 million litigation expense in 3Q15 relating to a credit default swap settlement and reduced costs related to the division's risk, regulatory and compliance infrastructure. The decline in general and administrative expenses also reflected decreases in International Wealth Management and Swiss Universal Bank.

## Core Results by business activity

| in | | | | | | | 3Q16 | 2Q16 | 3Q15 |
|---|---|---|---|---|---|---|---|---|---|
| | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | **Core Results** | **Core Results** |
| **Related to private banking (CHF million)** | | | | | | | | | |
| Net revenues | 1,160 | 789 | 346 | – | – | – | 2,295 | 1,988 | 1,945 |
| of which net interest income | 446 | 326 | 159 | – | – | – | 931 | 888 | 825 |
| of which recurring | 243 | 267 | 67 | – | – | – | 577 | 583 | 612 |
| of which transaction-based | 125 | 197 | 120 | – | – | – | 442 | 519 | 489 |
| Provision for credit losses | 13 | 0 | 38 | – | – | – | 51 | 25 | 49 |
| Total operating expenses | 603 | 593 | 242 | – | – | – | 1,438 | 1,438 | 1,467 |
| **Income before taxes** | **544** | **196** | **66** | **–** | **–** | **–** | **806** | **525** | **429** |
| **Related to corporate & institutional banking** | | | | | | | | | |
| Net revenues | 507 | – | – | – | – | – | 507 | 497 | 507 |
| of which net interest income | 278 | – | – | – | – | – | 278 | 242 | 256 |
| of which recurring | 118 | – | – | – | – | – | 118 | 123 | 117 |
| of which transaction-based | 124 | – | – | – | – | – | 124 | 146 | 144 |
| Provision for credit losses | 17 | – | – | – | – | – | 17 | 2 | 25 |
| Total operating expenses | 276 | – | – | – | – | – | 276 | 293 | 286 |
| **Income before taxes** | **214** | **–** | **–** | **–** | **–** | **–** | **214** | **202** | **196** |
| **Related to investment banking** | | | | | | | | | |
| Net revenues | – | – | 571 | 1,357 | 467 | – | 2,395 | 2,747 | 2,561 |
| of which fixed income sales and trading | – | – | 148 | 754 | – | – | 902 | 889 | 870 |
| of which equity sales and trading | – | – | 339 | 351 | – | – | 690 | 1,009 | 1,107 |
| of which underwriting and advisory [1] | – | – | 115 | 286 | 474 | – | 875 | 973 | 676 |
| Provision for credit losses | – | – | (4) | (5) | (9) | – | (18) | (16) | 14 |
| Total operating expenses | – | – | 489 | 1,275 | 437 | – | 2,201 | 2,358 | 2,126 |
| **Income before taxes** | **–** | **–** | **86** | **87** | **39** | **–** | **212** | **405** | **421** |
| **Related to asset management** | | | | | | | | | |
| Net revenues | – | 292 | – | – | – | – | 292 | 334 | 308 |
| Total operating expenses | – | 243 | – | – | – | – | 243 | 273 | 267 |
| **Income before taxes** | **–** | **49** | **–** | **–** | **–** | **–** | **49** | **61** | **41** |
| **Related to corporate center** | | | | | | | | | |
| Net revenues | – | – | – | – | – | 72 | 72 | (95) | 752 |
| Provision for credit losses | – | – | – | – | – | 0 | 0 | (2) | 1 |
| Total operating expenses | – | – | – | – | – | 279 | 279 | 142 | 211 |
| **Income/(loss) before taxes** | **–** | **–** | **–** | **–** | **–** | **(207)** | **(207)** | **(235)** | **540** |
| **Total** | | | | | | | | | |
| Net revenues | 1,667 | 1,081 | 917 | 1,357 | 467 | 72 | 5,561 | 5,471 | 6,073 |
| Provision for credit losses | 30 | 0 | 34 | (5) | (9) | 0 | 50 | 9 | 89 |
| Total operating expenses | 879 | 836 | 731 | 1,275 | 437 | 279 | 4,437 | 4,504 | 4,357 |
| **Income/(loss) before taxes** | **758** | **245** | **152** | **87** | **39** | **(207)** | **1,074** | **958** | **1,627** |

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

## EVOLUTION OF LEGAL ENTITY STRUCTURE

The execution of the program evolving the Group's legal entity structure to support the realization of our strategic objectives, increase the resilience of the Group and meet developing and future regulatory requirements has continued to progress.

- On July 1, 2016, Credit Suisse Holdings (USA), Inc. was fully established as our Intermediate Holding Company (IHC), in line with regulatory requirements. The IHC went live with the requisite capital, liquidity, infrastructure and governance, including its newly established board of directors;
- Credit Suisse registered a new Swiss legal entity under the name Credit Suisse (Schweiz) AG in 2015. This new legal entity is a wholly-owned subsidiary of Credit Suisse AG. It will assume and service Credit Suisse AG's clients of Swiss Universal Bank and will include the majority of that division's employees and those parts of the corporate functions that primarily serve Swiss Universal Bank within Credit Suisse AG and will not be outsourced to other Group entities. Credit Suisse (Schweiz) AG was established to support the realization of the Group's strategic objectives, to further increase its resilience and to meet developing and future regulatory requirements. The entity received its banking license as of October 14, 2016, and is expected to start its business operations as an independent Swiss bank on November 20, 2016. As licensed Swiss banks, both Credit Suisse AG and Credit Suisse (Schweiz) AG will be subject to the same rules and standards regarding client protection, asset segregation and Swiss banking confidentiality. In line with our strategy, we are also planning a partial initial public offering (IPO) of Credit Suisse (Schweiz) AG by the end of 2017, market conditions permitting. Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals and would be intended to generate/raise additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG.

▸ Refer to "Evolution of legal entity program" in II – Operating and financial review – Credit Suisse in the Credit Suisse Annual Report 2015 for further information.

## REGULATORY DEVELOPMENTS AND PROPOSALS

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

On July 4, 2016, the European Commission (EC) published an implementing decision on the equivalence of US designated contract markets (DCM) in the Official Journal of the EU. The decision states that, for the purpose of Article 2(7) of the European Market Infrastructure Regulation (EMIR), the US Commodity Futures Trading Commission (CFTC) designated boards of trade will be considered "equivalent" to EU regulated markets. Accordingly, any derivatives contract executed on a US DCM will not be considered an "over-the-counter (OTC) contract", and so will not be subject to the EMIR central clearing requirements. The implementing decision came into force on July 23, 2016.

On July 6, 2016, the Fed provided its final of three one-year extensions for the conformance of pre-2014 "legacy" investments in, and bank relationships with, certain private funds, extending the deadline to July 21, 2017.

On July 14 and 28, 2016, the EC adopted nine delegated regulations setting various regulatory and technical standards (RTS) in relation to certain provisions of the Markets in Financial Instruments Directive (MiFID II) and the revised Markets in Financial Instruments Regulation (MiFIR). The RTS regulations will now be considered by the European Council and European Parliament and are expected to apply from January 3, 2018, the day on which MiFIR and MiFID II enter into force. On July 15, 2016, the European Parliament stated that it did not object to the proposed delegated directive supplementing MiFID II, which will come into force 20 days after publication in the Official Journal of the EU.

On September 28, 2016, the CFTC adopted rule amendments that will expand mandatory clearing requirements to include certain interest rate swaps and derivatives denominated in Australian, Canadian, Hong Kong, Mexican, Norwegian, Polish, Singapore, Swedish and Swiss currencies, which will take effect over the course of the end of 2016 through 2018. In addition, these swaps and derivatives may potentially become subject to mandatory exchange trading in the US. To the extent other jurisdictions have not adopted similarly broad clearing requirements and mandatory trading requirements, these rules could fragment interest rate swap liquidity, making it more expensive for Credit Suisse to trade in those markets.

▸ Refer to "Regulation and supervision" in I – Information on the company in the Credit Suisse Annual Report 2015 for further information and "Regulatory developments and proposals" and "Regulatory framework" in II – Treasury, risk, balance sheet and off-balance sheet – Capital management and Liquidity and funding management, respectively, for further information.

# Swiss Universal Bank

In 3Q16, we reported income before taxes of CHF 758 million and net revenues of CHF 1,667 million. Income before taxes was CHF 305 million higher compared to 2Q16 and CHF 358 million higher compared to 3Q15.

## RESULTS SUMMARY

### 3Q16 results

In 3Q16, we reported income before taxes of CHF 758 million and net revenues of CHF 1,667 million. Compared to 2Q16, net revenues were 25% higher, mainly due to gains on the sale of real estate of CHF 346 million and higher net interest income partly offset by lower transaction-based revenues. Total operating expenses were stable compared to 2Q16, primarily reflecting higher restructuring expenses and higher general and administrative expenses, offset by slightly lower compensation and benefits.

Compared to 3Q15, net revenues were 22% higher, mainly due to the gains on the sale of real estate and slightly higher net interest income, partially offset by lower transaction-based revenues and slightly lower recurring commissions and fees. Total operating expenses decreased 5% compared to 3Q15, reflecting lower general and administrative expenses, partially offset by restructuring expenses in 3Q16.

Adjusted income before taxes of CHF 431 million was 6% lower compared to 2Q16 and 8% higher compared to 3Q15.

### Capital and leverage metrics

As of the end of 3Q16, we reported risk-weighted assets of CHF 65.6 billion, an increase of CHF 1.0 billion compared to the end of 2Q16, driven by methodology changes and business growth. Leverage exposure was CHF 246.3 billion, reflecting an increase of CHF 1.1 billion compared to the end of 2Q16, driven by business growth and an increase in the volume of transactions in the quarter, partially offset by lower high-quality liquid assets (HQLA).

## Divisional results

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,667** | **1,337** | **1,364** | 25 | 22 | **4,360** | **4,226** | 3 |
| **Provision for credit losses** | **30** | **9** | **39** | 233 | (23) | **45** | **95** | (53) |
| Compensation and benefits | 474 | 490 | 469 | (3) | 1 | 1,440 | 1,450 | (1) |
| General and administrative expenses | 320 | 309 | 387 | 4 | (17) | 959 | 1,159 | (17) |
| Commission expenses | 66 | 72 | 69 | (8) | (4) | 210 | 211 | 0 |
| Restructuring expenses | 19 | 4 | – | 375 | – | 63 | – | – |
| Total other operating expenses | 405 | 385 | 456 | 5 | (11) | 1,232 | 1,370 | (10) |
| **Total operating expenses** | **879** | **875** | **925** | 0 | (5) | **2,672** | **2,820** | (5) |
| **Income before taxes** | **758** | **453** | **400** | 67 | 90 | **1,643** | **1,311** | 25 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 24.7 | 14.9 | 13.4 | – | – | 18.0 | 14.3 | – |
| Cost/income ratio | 52.7 | 65.4 | 67.8 | – | – | 61.3 | 66.7 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 5,649 | 5,530 | 4,871 | 2 | 16 | 5,507 | 5,090 | 8 |
| Pre-tax return on average economic risk capital (%) [1] | 53.7 | 32.8 | 33.0 | – | – | 39.8 | 34.5 | – |
| **Number of employees and relationship managers** | | | | | | | | |
| Number of employees (full-time equivalents) | 13,440 | 13,280 | 13,230 | 1 | 2 | 13,440 | 13,230 | 2 |
| Number of relationship managers | 1,980 | 2,000 | 2,040 | (1) | (3) | 1,980 | 2,040 | (3) |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Private Banking | 1,160 | 840 | 857 | 38 | 35 | 2,846 | 2,733 | 4 |
| Corporate & Institutional Banking | 507 | 497 | 507 | 2 | 0 | 1,514 | 1,493 | 1 |
| **Net revenues** | **1,667** | **1,337** | **1,364** | 25 | 22 | **4,360** | **4,226** | 3 |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 724 | 683 | 708 | 6 | 2 | 2,139 | 2,004 | 7 |
| Recurring commissions and fees | 361 | 363 | 372 | (1) | (3) | 1,068 | 1,196 | (11) |
| Transaction-based revenues | 249 | 305 | 295 | (18) | (16) | 842 | 1,026 | (18) |
| Other revenues | 333 | (14) | (11) | – | – | 311 | 0 | – |
| **Net revenues** | **1,667** | **1,337** | **1,364** | 25 | 22 | **4,360** | **4,226** | 3 |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 45 | 33 | 57 | 36 | (21) | 104 | 145 | (28) |
| Releases of provisions | (15) | (24) | (18) | (38) | (17) | (59) | (50) | 18 |
| **Provision for credit losses** | **30** | **9** | **39** | 233 | (23) | **45** | **95** | (53) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 222,164 | 224,866 | 214,239 | (1) | 4 | 222,164 | 214,239 | 4 |
| Net loans | 166,910 | 164,661 | 162,621 | 1 | 3 | 166,910 | 162,621 | 3 |
| Risk-weighted assets | 65,571 | 64,604 | 59,441 | 1 | 10 | 65,571 | 59,441 | 10 |
| Leverage exposure | 246,254 | 245,108 | 234,406 | 0 | 5 | 246,254 | 234,406 | 5 |

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

## Reconciliation of adjusted results

| | | Private Banking | | | Corporate & Institutional Banking | | | **Swiss Universal Bank** | |
|---|---|---|---|---|---|---|---|---|---|
| in | **3Q16** | 2Q16 | 3Q15 | **3Q16** | 2Q16 | 3Q15 | **3Q16** | 2Q16 | 3Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,160** | **840** | **857** | **507** | **497** | **507** | **1,667** | **1,337** | **1,364** |
| Real estate gains | (346) | 0 | 0 | 0 | 0 | 0 | (346) | 0 | 0 |
| **Adjusted net revenues** | **814** | **840** | **857** | **507** | **497** | **507** | **1,321** | **1,337** | **1,364** |
| **Provision for credit losses** | **13** | **7** | **14** | **17** | **2** | **25** | **30** | **9** | **39** |
| **Total operating expenses** | **603** | **582** | **639** | **276** | **293** | **286** | **879** | **875** | **925** |
| Restructuring expenses | (16) | (3) | – | (3) | (1) | – | (19) | (4) | – |
| **Adjusted total operating expenses** | **587** | **579** | **639** | **273** | **292** | **286** | **860** | **871** | **925** |
| **Income before taxes** | **544** | **251** | **204** | **214** | **202** | **196** | **758** | **453** | **400** |
| Total adjustments | (330) | 3 | 0 | 3 | 1 | 0 | (327) | 4 | 0 |
| **Adjusted income before taxes** | **214** | **254** | **204** | **217** | **203** | **196** | **431** | **457** | **400** |
| Adjusted return on regulatory capital (%) | – | – | – | – | – | – | 14.0 | 15.0 | 13.4 |

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

## Reconciliation of adjusted results (continued)

| | Private Banking | | Corporate & Institutional Banking | | **Swiss Universal Bank** | |
|---|---|---|---|---|---|---|
| in | **9M16** | 9M15 | **9M16** | 9M15 | **9M16** | 9M15 |
| **Adjusted results (CHF million)** | | | | | | |
| **Net revenues** | **2,846** | **2,733** | **1,514** | **1,493** | **4,360** | **4,226** |
| Real estate gains | (346) | (23) | 0 | 0 | (346) | (23) |
| **Adjusted net revenues** | **2,500** | **2,710** | **1,514** | **1,493** | **4,014** | **4,203** |
| **Provision for credit losses** | **29** | **35** | **16** | **60** | **45** | **95** |
| **Total operating expenses** | **1,817** | **1,988** | **855** | **832** | **2,672** | **2,820** |
| Restructuring expenses | (54) | – | (9) | – | (63) | – |
| **Adjusted total operating expenses** | **1,763** | **1,988** | **846** | **832** | **2,609** | **2,820** |
| **Income before taxes** | **1,000** | **710** | **643** | **601** | **1,643** | **1,311** |
| Total adjustments | (292) | (23) | 9 | 0 | (283) | (23) |
| **Adjusted income before taxes** | **708** | **687** | **652** | **601** | **1,360** | **1,288** |
| Adjusted return on regulatory capital (%) | – | – | – | – | 14.9 | 14.1 |

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

# PRIVATE BANKING

## RESULTS

Income before taxes of CHF 544 million was significantly higher compared to 2Q16, reflecting higher net revenues, partially offset by higher total operating expenses. Compared to 3Q15, income before taxes increased significantly, reflecting higher net revenues and lower total operating expenses. Adjusted income before taxes of CHF 214 million decreased 16% compared to 2Q16 and increased 5% compared to 3Q15.

### Net revenues

Compared to 2Q16, net revenues of CHF 1,160 million were 38% higher due to the gains on the sale of real estate of CHF 346 million reflected in other revenues. Transaction-based revenues of CHF 125 million were 21% lower primarily due to lower equity participations income, driven by higher revenues in 2Q16 from the proceeds from the sale of our equity stake in Visa Europe Ltd. to Visa Inc. and a regular dividend from our ownership interest in SIX Group AG. Recurring commissions and fees of CHF 243 million were stable. Net interest income was stable at CHF 446 million with stable loan margins on slightly higher average loan volumes and slightly higher deposit margins on stable average deposit volumes. Adjusted net revenues of CHF 814 million were slightly lower compared to 2Q16.

Compared to 3Q15, net revenues increased 35%, reflecting the gains on the sale of real estate in 3Q16. Transaction-based revenues decreased 17% with lower brokerage and product issuing fees, lower fees from foreign exchange client business and lower sales and trading revenues. Recurring commissions and fees decreased 5%, primarily reflecting lower investment product management fees. Net interest income was stable with lower deposit margins on stable average deposit volumes, offset by improved loan margins on stable average loan volumes. Adjusted net revenues decreased 5% compared to 3Q15.

### Provision for credit losses

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

In 3Q16, Private Banking recorded provision for credit losses of CHF 13 million compared to CHF 7 million in 2Q16 and CHF 14 million in 3Q15. The provision was primarily related to our consumer finance business.

## Results – Private Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,160** | **840** | **857** | 38 | 35 | **2,846** | **2,733** | 4 |
| **Provision for credit losses** | **13** | **7** | **14** | 86 | (7) | **29** | **35** | (17) |
| Compensation and benefits | 312 | 308 | 302 | 1 | 3 | 934 | 959 | (3) |
| General and administrative expenses | 233 | 224 | 291 | 4 | (20) | 693 | 886 | (22) |
| Commission expenses | 42 | 47 | 46 | (11) | (9) | 136 | 143 | (5) |
| Restructuring expenses | 16 | 3 | – | 433 | – | 54 | – | – |
| Total other operating expenses | 291 | 274 | 337 | 6 | (14) | 883 | 1,029 | (14) |
| **Total operating expenses** | **603** | **582** | **639** | 4 | (6) | **1,817** | **1,988** | (9) |
| **Income before taxes** | **544** | **251** | **204** | 117 | 167 | **1,000** | **710** | 41 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 52.0 | 69.3 | 74.6 | – | – | 63.8 | 72.7 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 446 | 441 | 452 | 1 | (1) | 1,347 | 1,305 | 3 |
| Recurring commissions and fees | 243 | 240 | 255 | 1 | (5) | 718 | 845 | (15) |
| Transaction-based revenues | 125 | 159 | 151 | (21) | (17) | 433 | 561 | (23) |
| Other revenues | 346 | 0 | (1) | – | – | 348 | 22 | – |
| **Net revenues** | **1,160** | **840** | **857** | 38 | 35 | **2,846** | **2,733** | 4 |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 191 | 140 | 141 | – | – | 158 | 145 | – |
| Net margin [2] | 89 | 42 | 34 | – | – | 55 | 38 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 1,500 | 1,530 | 1,570 | (2) | (4) | 1,500 | 1,570 | (4) |

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

### Total operating expenses

Compared to 2Q16, total operating expenses of CHF 603 million increased 4%, primarily reflecting higher restructuring expenses and higher general and administrative expenses. General and administrative expenses of CHF 233 million increased 4% primarily due to higher allocated corporate function costs. Compensation and benefits of CHF 312 million were stable compared to 2Q16, primarily reflecting lower discretionary compensation expenses and slightly lower salary expenses, offset by higher allocated corporate function costs. Adjusted total operating expenses of CHF 587 million were stable compared to 2Q16.

Compared to 3Q15, total operating expenses were 6% lower, despite investments in regulatory and compliance functions, reflecting lower general and administrative expenses, partly offset by restructuring expenses in 3Q16. General and administrative expenses decreased 20%, primarily reflecting decreased allocated corporate function costs. Compensation and benefits were slightly higher, reflecting higher allocated corporate function costs and higher salary expenses, partially offset by lower pension expenses and lower deferred compensation expenses from prior-year awards. Adjusted total operating expenses were 8% lower compared to 3Q15.

### MARGINS

### Gross margin

Our gross margin was 191 basis points in 3Q16, 51 basis points higher compared to 2Q16, mainly reflecting the gains on the sale of real estate on stable average assets under management. Compared to 3Q15, our gross margin was 50 basis points higher, primarily due to the gains on the sale of real estate on stable average assets under management. On the basis of adjusted net revenues, our gross margin was 134 basis points in 3Q16, six basis points lower compared to 2Q16 and seven basis points lower compared to 3Q15.

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

### Net margin

Our net margin was 89 basis points in 3Q16, 47 basis points higher compared to 2Q16, mainly due to the gains on the sale of real estate, partially offset by higher total operating expenses. Compared to 3Q15, our net margin was 55 basis points higher, primarily reflecting the gains on the sale of real estate in 3Q16. On the basis of adjusted income before taxes, our net margin was 35 basis points in 3Q16, seven basis points lower compared to 2Q16 and one basis point higher compared to 3Q15.

### ASSETS UNDER MANAGEMENT

As of the end of 3Q16, assets under management of CHF 244.5 billion were CHF 3.1 billion higher compared to the end of 2Q16, mainly driven by favorable market movements. Net new assets of CHF 0.2 billion were negatively impacted by terminated relationships with certain external asset managers and the regularization of client assets.

## Assets under management – Private Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 244.5 | 241.4 | 237.1 | 1.3 | 3.1 | 244.5 | 237.1 | 3.1 |
| Average assets under management | 243.2 | 240.8 | 243.4 | 1.0 | (0.1) | 240.7 | 251.0 | (4.1) |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 41.6 | 40.8 | 41.0 | 2.0 | 1.5 | 41.6 | 41.0 | 1.5 |
| EUR | 36.8 | 36.7 | 30.7 | 0.3 | 19.9 | 36.8 | 30.7 | 19.9 |
| CHF | 154.6 | 152.5 | 150.1 | 1.4 | 3.0 | 154.6 | 150.1 | 3.0 |
| Other | 11.5 | 11.4 | 15.3 | 0.9 | (24.8) | 11.5 | 15.3 | (24.8) |
| **Assets under management** | **244.5** | **241.4** | **237.1** | 1.3 | 3.1 | **244.5** | **237.1** | 3.1 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 0.2 | 0.9 | 3.1 | – | – | 1.8 | 6.1 | – |
| Other effects | 2.9 | 4.4 | (19.6) | – | – | 1.7 | (27.6) | – |
| of which market movements | 3.7 | 3.3 | (8.0) | – | – | 2.4 | (7.5) | – |
| of which foreign exchange | (0.1) | 0.1 | 3.4 | – | – | (1.3) | (4.3) | – |
| of which other | (0.7) | 1.0 | (15.0) | – | – | 0.6 | (15.8) | – |
| **Growth in assets under management** | **3.1** | **5.3** | **(16.5)** | – | – | **3.5** | **(21.5)** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 0.3 | 1.5 | 4.9 | – | – | 1.0 | 3.1 | – |
| Other effects | 4.9 | 7.5 | (30.9) | – | – | 0.9 | (14.2) | – |
| **Growth in assets under management (annualized)** | **5.2** | **9.0** | **(26.0)** | – | – | **1.9** | **(11.1)** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | (0.5) | 0.7 | 2.4 | – | – | – | – | – |
| Other effects | 3.6 | (5.5) | (10.5) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **3.1** | **(4.8)** | **(8.1)** | – | – | – | – | – |

# CORPORATE & INSTITUTIONAL BANKING

### RESULTS

Income before taxes of CHF 214 million increased 6% compared to 2Q16, driven by lower total operating expenses and slightly higher net revenues, partially offset by higher provision for credit losses. Compared to 3Q15, income before taxes was 9% higher, reflecting slightly lower total operating expenses and lower provision for credit losses. Adjusted income before taxes of CHF 217 million increased 7% and 11% compared to 2Q16 and 3Q15, respectively.

#### Net revenues

Compared to 2Q16, net revenues of CHF 507 million were slightly higher with higher net interest income, partially offset by lower transaction-based revenues. Net interest income of CHF 278 million increased 15%, mainly driven by provisions taken in 2Q16 relating to interest rate swaps. Transaction-based revenues of CHF 124 million were 15% lower, mainly due to lower sales and trading revenues, lower revenues from our Swiss investment banking business, lower fees from foreign exchange client business and higher revenues in 2Q16 from a regular dividend from SIX Group. Recurring commissions and fees were CHF 118 million, 4% lower due to decreased investment product management fees.

Compared to 3Q15, net revenues were stable, with higher net interest income offset by lower transaction-based revenues. Net interest income increased 9%, driven by slightly improved loan margins on stable average loan volumes and improved deposit margins on decreased average deposit volumes. Transaction-based revenues decreased 14% with lower sales and trading revenues, decreased corporate advisory fees and lower fees from foreign exchange client business. Recurring commissions and fees were stable.

## Results – Corporate & Institutional Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **507** | **497** | **507** | 2 | 0 | **1,514** | **1,493** | 1 |
| **Provision for credit losses** | **17** | **2** | **25** | – | (32) | **16** | **60** | (73) |
| Compensation and benefits | 162 | 182 | 167 | (11) | (3) | 506 | 491 | 3 |
| General and administrative expenses | 87 | 85 | 96 | 2 | (9) | 266 | 273 | (3) |
| Commission expenses | 24 | 25 | 23 | (4) | 4 | 74 | 68 | 9 |
| Restructuring expenses | 3 | 1 | – | 200 | – | 9 | – | – |
| Total other operating expenses | 114 | 111 | 119 | 3 | (4) | 349 | 341 | 2 |
| **Total operating expenses** | **276** | **293** | **286** | (6) | (3) | **855** | **832** | 3 |
| **Income before taxes** | **214** | **202** | **196** | 6 | 9 | **643** | **601** | 7 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 54.4 | 59.0 | 56.4 | – | – | 56.5 | 55.7 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 278 | 242 | 256 | 15 | 9 | 792 | 699 | 13 |
| Recurring commissions and fees | 118 | 123 | 117 | (4) | 1 | 350 | 351 | 0 |
| Transaction-based revenues | 124 | 146 | 144 | (15) | (14) | 409 | 465 | (12) |
| Other revenues | (13) | (14) | (10) | (7) | 30 | (37) | (22) | 68 |
| **Net revenues** | **507** | **497** | **507** | 2 | 0 | **1,514** | **1,493** | 1 |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 480 | 470 | 470 | 2 | 2 | 480 | 470 | 2 |

### Provision for credit losses

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

In 3Q16, Corporate & Institutional Banking recorded provision for credit losses of CHF 17 million compared to CHF 2 million in 2Q16 and CHF 25 million in 3Q15. The increase compared to 2Q16 reflected several individual cases.

### Total operating expenses

Compared to 2Q16, total operating expenses of CHF 276 million were 6% lower, primarily reflecting lower compensation and benefits. Compensation and benefits of CHF 162 million decreased 11%, driven by lower allocated corporate function costs and lower discretionary compensation expenses. General and administrative expenses of CHF 87 million increased slightly due to higher litigation provisions.

Compared to 3Q15, total operating expenses were slightly lower, driven by lower general and administrative expenses and slightly lower compensation and benefits. General and administrative expenses decreased 9% with lower allocated corporate function costs partly offset by higher professional services fees. Compensation and benefits were slightly lower mainly due to lower allocated corporate function costs, partially offset by higher discretionary compensation and salary expenses.

### ASSETS UNDER MANAGEMENT

As of the end of 3Q16, assets under management of CHF 284.6 billion were CHF 3.7 billion higher compared to the end of 2Q16, driven by favorable market movements, partially offset by net asset outflows of CHF 1.2 billion from a small number of individual cases.

# International Wealth Management

In 3Q16, we reported income before taxes of CHF 245 million and net revenues of CHF 1,081 million.

## RESULTS SUMMARY

### 3Q16 results

In 3Q16, we reported income before taxes of CHF 245 million and net revenues of CHF 1,081 million. Compared to 2Q16, net revenues decreased 6% due to lower transaction- and performance-based revenues in Private Banking, including seasonally lower client activity and lower sales and trading revenues, and lower investment and partnership income in Asset Management in 3Q16. This decrease was partially offset by higher net interest income. Provision for credit losses was zero, a decrease of CHF 16 million. Total operating expenses were 5% lower compared to 2Q16, mainly driven by lower compensation and benefits and lower general and administrative expenses.

Net revenues were stable compared to 3Q15, reflecting higher net interest income and higher investment-related gains in 3Q16 reflected in other revenues, offset by lower transaction- and performance-based revenues and lower recurring commissions and fees. Provision for credit losses was zero, a decrease of CHF 11 million. Total operating expenses were 6% lower as lower general and administrative expenses were partially offset by higher compensation and benefits and restructuring expenses.

Adjusted income before taxes of CHF 241 million decreased 7% and 2% compared to 2Q16 and 3Q15, respectively.

### Capital and leverage metrics

As of the end of 3Q16, we reported risk-weighted assets of CHF 33.5 billion, a decrease of CHF 0.2 billion compared to the end of 2Q16. Leverage exposure was CHF 88.9 billion, reflecting a decrease of CHF 6.5 billion compared to the end of 2Q16, driven by decreased HQLA balances associated with funding requirements.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,081** | **1,145** | **1,093** | (6) | (1) | **3,399** | **3,379** | 1 |
| **Provision for credit losses** | **0** | **16** | **11** | (100) | (100) | **14** | **12** | 17 |
| Compensation and benefits | 513 | 540 | 489 | (5) | 5 | 1,554 | 1,575 | (1) |
| General and administrative expenses | 256 | 266 | 335 | (4) | (24) | 827 | 861 | (4) |
| Commission expenses | 52 | 63 | 61 | (17) | (15) | 176 | 184 | (4) |
| Restructuring expenses | 15 | 15 | – | 0 | – | 38 | – | – |
| Total other operating expenses | 323 | 344 | 396 | (6) | (18) | 1,041 | 1,045 | 0 |
| **Total operating expenses** | **836** | **884** | **885** | (5) | (6) | **2,595** | **2,620** | (1) |
| **Income before taxes** | **245** | **245** | **197** | 0 | 24 | **790** | **747** | 6 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 20.5 | 20.6 | 17.0 | – | – | 22.2 | 21.7 | – |
| Cost/income ratio | 77.3 | 77.2 | 81.0 | – | – | 76.3 | 77.5 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 3,958 | 3,751 | 3,196 | 6 | 24 | 3,777 | 3,243 | 16 |
| Pre-tax return on average economic risk capital (%) [1] | 25.8 | 27.2 | 25.5 | – | – | 28.9 | 31.6 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 10,350 | 10,010 | 9,620 | 3 | 8 | 10,350 | 9,620 | 8 |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Private Banking | 789 | 811 | 785 | (3) | 1 | 2,453 | 2,416 | 2 |
| Asset Management | 292 | 334 | 308 | (13) | (5) | 946 | 963 | (2) |
| **Net revenues** | **1,081** | **1,145** | **1,093** | (6) | (1) | **3,399** | **3,379** | 1 |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 326 | 304 | 259 | 7 | 26 | 955 | 731 | 31 |
| Recurring commissions and fees | 471 | 477 | 496 | (1) | (5) | 1,425 | 1,471 | (3) |
| Transaction- and performance-based revenues | 291 | 340 | 371 | (14) | (22) | 1,024 | 1,208 | (15) |
| Other revenues | (7) | 24 | (33) | – | (79) | (5) | (31) | (84) |
| **Net revenues** | **1,081** | **1,145** | **1,093** | (6) | (1) | **3,399** | **3,379** | 1 |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 14 | 19 | 14 | (26) | 0 | 35 | 20 | 75 |
| Releases of provisions | (14) | (3) | (3) | 367 | 367 | (21) | (8) | 163 |
| **Provision for credit losses** | **0** | **16** | **11** | (100) | (100) | **14** | **12** | 17 |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 86,457 | 90,156 | 88,592 | (4) | (2) | 86,457 | 88,592 | (2) |
| Net loans | 42,942 | 43,059 | 41,000 | 0 | 5 | 42,942 | 41,000 | 5 |
| Risk-weighted assets | 33,457 | 33,613 | 32,271 | 0 | 4 | 33,457 | 32,271 | 4 |
| Leverage exposure | 88,899 | 95,442 | 93,818 | (7) | (5) | 88,899 | 93,818 | (5) |

## Reconciliation of adjusted results

| | | Private Banking | | | Asset Management | | **International Wealth Management** | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **3Q16** | 2Q16 | 3Q15 | **3Q16** | 2Q16 | 3Q15 | **3Q16** | 2Q16 | 3Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **789** | **811** | **785** | **292** | **334** | **308** | **1,081** | **1,145** | **1,093** |
| **Provision for credit losses** | **0** | **16** | **11** | **0** | **0** | **0** | **0** | **16** | **11** |
| **Total operating expenses** | **593** | **611** | **618** | **243** | **273** | **267** | **836** | **884** | **885** |
| Restructuring expenses | (13) | (13) | – | (2) | (2) | – | (15) | (15) | – |
| Major litigation provisions | 19 | 0 | (50) | 0 | 0 | 0 | 19 | 0 | (50) |
| **Adjusted total operating expenses** | **599** | **598** | **568** | **241** | **271** | **267** | **840** | **869** | **835** |
| **Income before taxes** | **196** | **184** | **156** | **49** | **61** | **41** | **245** | **245** | **197** |
| Total adjustments | (6) | 13 | 50 | 2 | 2 | 0 | (4) | 15 | 50 |
| **Adjusted income before taxes** | **190** | **197** | **206** | **51** | **63** | **41** | **241** | **260** | **247** |
| Adjusted return on regulatory capital (%) | – | – | – | – | – | – | 20.1 | 21.9 | 21.3 |

| | | Private Banking | | Asset Management | | **International Wealth Management** | |
|---|---|---|---|---|---|---|---|
| in | **9M16** | 9M15 | **9M16** | 9M15 | **9M16** | 9M15 |
| **Adjusted results (CHF million)** | | | | | | |
| **Net revenues** | **2,453** | **2,416** | **946** | **963** | **3,399** | **3,379** |
| **Provision for credit losses** | **14** | **12** | **0** | **0** | **14** | **12** |
| **Total operating expenses** | **1,826** | **1,804** | **769** | **816** | **2,595** | **2,620** |
| Restructuring expenses | (36) | – | (2) | – | (38) | – |
| Major litigation provisions | 19 | (40) | 0 | 0 | 19 | (40) |
| **Adjusted total operating expenses** | **1,809** | **1,764** | **767** | **816** | **2,576** | **2,580** |
| **Income before taxes** | **613** | **600** | **177** | **147** | **790** | **747** |
| Total adjustments | 17 | 40 | 2 | 0 | 19 | 40 |
| **Adjusted income before taxes** | **630** | **640** | **179** | **147** | **809** | **787** |
| Adjusted return on regulatory capital (%) | – | – | – | – | 22.7 | 22.8 |

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

## PRIVATE BANKING

### RESULTS

Income before taxes of CHF 196 million increased 7% compared to 2Q16 reflecting slightly lower total operating expenses and lower provision for credit losses, partially offset by slightly lower net revenues. Compared to 3Q15, income before taxes increased 26% mainly due to lower total operating expenses and lower provision for credit losses. Adjusted income before taxes of CHF 190 million decreased 4% and 8% compared to 2Q16 and 3Q15, respectively.

#### Net revenues

Compared to 2Q16, net revenues of CHF 789 million were slightly lower, with a decline in transaction- and performance-based revenues, partially offset by higher net interest income. Transaction- and performance-based revenues of CHF 197 million decreased 17%, mainly driven by lower sales and trading revenues, an absence of equity participations income as 2Q16 included a regular dividend from SIX Group, lower fees from foreign exchange client business and lower brokerage and product issuing fees. Recurring commissions and fees of CHF 267 million were slightly lower mainly due to lower investment product management fees. Net interest income of CHF 326 million increased 7%, reflecting stable loan margins on slightly higher average loan volumes and higher deposit margins on stable average deposit volumes.

Compared to 3Q15, net revenues were stable, with higher net interest income offset by lower transaction- and performance-based revenues and lower recurring commissions and fees. Net interest income increased 26%, primarily reflecting higher loan margins on higher average loan volumes and higher deposit margins on slightly higher average deposit volumes. Transaction- and performance-based revenues decreased 16%, driven by lower corporate advisory fees related to integrated solutions, lower fees from foreign exchange client business and lower brokerage and product issuing fees. Recurring commissions and fees decreased 9%, mainly due to a decline in banking services fees and lower security account and custody services fees.

### Results – Private Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **789** | **811** | **785** | (3) | 1 | **2,453** | **2,416** | 2 |
| **Provision for credit losses** | **0** | **16** | **11** | (100) | (100) | **14** | **12** | 17 |
| Compensation and benefits | 369 | 363 | 332 | 2 | 11 | 1,081 | 1,072 | 1 |
| General and administrative expenses | 173 | 191 | 241 | (9) | (28) | 585 | 595 | (2) |
| Commission expenses | 38 | 44 | 45 | (14) | (16) | 124 | 137 | (9) |
| Restructuring expenses | 13 | 13 | – | 0 | – | 36 | – | – |
| Total other operating expenses | 224 | 248 | 286 | (10) | (22) | 745 | 732 | 2 |
| **Total operating expenses** | **593** | **611** | **618** | (3) | (4) | **1,826** | **1,804** | 1 |
| **Income before taxes** | **196** | **184** | **156** | 7 | 26 | **613** | **600** | 2 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 75.2 | 75.3 | 78.7 | – | – | 74.4 | 74.7 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 326 | 304 | 259 | 7 | 26 | 955 | 731 | 31 |
| Recurring commissions and fees | 267 | 273 | 292 | (2) | (9) | 816 | 878 | (7) |
| Transaction- and performance-based revenues | 197 | 236 | 235 | (17) | (16) | 687 | 809 | (15) |
| Other revenues | (1) | (2) | (1) | (50) | 0 | (5) | (2) | 150 |
| **Net revenues** | **789** | **811** | **785** | (3) | 1 | **2,453** | **2,416** | 2 |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 104 | 110 | 106 | – | – | 111 | 106 | – |
| Net margin [2] | 26 | 25 | 21 | – | – | 28 | 26 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 1,160 | 1,170 | 1,190 | (1) | (3) | 1,160 | 1,190 | (3) |

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

[1] Net revenues divided by average assets under management.

[2] Income before taxes divided by average assets under management.

**Provision for credit losses**

In 3Q16, provision for credit losses was zero, compared to provision for credit losses of CHF 16 million and CHF 11 million in 2Q16 and 3Q15, respectively.

**Total operating expenses**

Compared to 2Q16, total operating expenses of CHF 593 million decreased slightly due to lower general and administrative expenses partially offset by slightly higher compensation and benefits. General and administrative expenses of CHF 173 million decreased 9%, mainly reflecting the release of litigation provisions in 3Q16. Compensation and benefits of CHF 369 million increased slightly, mainly driven by higher discretionary compensation expenses, partially offset by lower pension expenses and lower deferred compensation expenses from prior-year awards. Restructuring expenses of CHF 13 million were stable compared to 2Q16. Adjusted total operating expenses of CHF 599 million were stable compared to 2Q16.

Compared to 3Q15, total operating expenses decreased 4%, with lower general and administrative expenses, partially offset by an increase in compensation and benefits and restructuring expenses. General and administrative expenses decreased 28%, driven by significantly lower litigation provisions, partially offset by higher professional services fees. Compensation and benefits increased 11%, reflecting higher discretionary compensation expenses and higher salary expenses, partially offset by lower deferred compensation expenses from prior-year awards and lower pension expenses. Adjusted total operating expenses increased 5% compared to 3Q15.

## MARGINS

**Gross margin**

Our gross margin was 104 basis points in 3Q16, a decline of six basis points compared to 2Q16, mainly reflecting lower transaction- and performance-based revenues and a 3.4% increase in average assets under management, partially offset by higher net interest income. Our gross margin was two basis points lower compared to 3Q15, mainly reflecting lower transaction- and performance-based revenues, lower recurring commissions and fees and a 3.1% increase in average assets under management, partially offset by higher net interest income.

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

**Net margin**

Our net margin was 26 basis points in 3Q16, an increase of one basis point compared to 2Q16, reflecting slightly lower total operating expenses and lower provision for credit losses, partially offset by slightly lower net revenues and the 3.4% increase in average assets under management. Our net margin was five basis points higher compared to 3Q15, reflecting lower total operating expenses and lower provision for credit losses, partially offset by the 3.1% increase in average assets under management. On the basis of adjusted income before taxes, our net margin was 25 basis points in 3Q16, two basis points lower compared to 2Q16 and three basis points lower compared to 3Q15.

## ASSETS UNDER MANAGEMENT

As of the end of 3Q16, assets under management of CHF 311.4 billion were CHF 12.8 billion higher compared to the end of 2Q16, reflecting favorable market movements and net new assets of CHF 4.4 billion. The net new assets reflected solid inflows from emerging markets and Europe.

### Assets under management – Private Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 311.4 | 298.6 | 286.5 | 4.3 | 8.7 | 311.4 | 286.5 | 8.7 |
| Average assets under management | 304.0 | 294.1 | 294.9 | 3.4 | 3.1 | 295.1 | 303.4 | (2.7) |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 140.1 | 137.3 | 135.4 | 2.0 | 3.5 | 140.1 | 135.4 | 3.5 |
| EUR | 92.7 | 86.9 | 92.7 | 6.7 | 0.0 | 92.7 | 92.7 | 0.0 |
| CHF | 20.7 | 20.9 | 21.9 | (1.0) | (5.5) | 20.7 | 21.9 | (5.5) |
| Other | 57.9 | 53.5 | 36.5 | 8.2 | 58.6 | 57.9 | 36.5 | 58.6 |
| **Assets under management** | **311.4** | **298.6** | **286.5** | 4.3 | 8.7 | **311.4** | **286.5** | 8.7 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 4.4 | 5.4 | 1.7 | – | – | 15.2 | 1.2 | – |
| Other effects | 8.4 | 6.2 | (18.5) | – | – | 6.6 | (38.4) | – |
| of which market movements | 8.5 | 4.2 | (10.3) | – | – | 6.4 | 1.4 | – |
| of which currency | (1.2) | 3.3 | 7.1 | – | – | 0.1 | (21.7) | – |
| of which other | 1.1 | (1.3) | (15.3) | – | – | 0.1 | (18.1) | – |
| **Growth in assets under management** | **12.8** | **11.6** | **(16.8)** | – | – | **21.8** | **(37.2)** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 5.8 | 7.5 | 2.2 | – | – | 7.0 | 0.5 | – |
| Other effects | 11.3 | 8.6 | (24.4) | – | – | 3.0 | (15.8) | – |
| **Growth in assets under management (annualized)** | **17.1** | **16.1** | **(22.2)** | – | – | **10.0** | **(15.3)** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 3.8 | 2.7 | 1.0 | – | – | – | – | – |
| Other effects | 4.9 | (4.3) | (11.7) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **8.7** | **(1.6)** | **(10.7)** | – | – | – | – | – |

## ASSET MANAGEMENT

### Results – Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **292** | **334** | **308** | (13) | (5) | **946** | **963** | (2) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| Compensation and benefits | 144 | 177 | 157 | (19) | (8) | 473 | 503 | (6) |
| General and administrative expenses | 83 | 75 | 94 | 11 | (12) | 242 | 266 | (9) |
| Commission expenses | 14 | 19 | 16 | (26) | (13) | 52 | 47 | 11 |
| Restructuring expenses | 2 | 2 | – | 0 | – | 2 | – | – |
| Total other operating expenses | 99 | 96 | 110 | 3 | (10) | 296 | 313 | (5) |
| **Total operating expenses** | **243** | **273** | **267** | (11) | (9) | **769** | **816** | (6) |
| **Income before taxes** | **49** | **61** | **41** | (20) | 20 | **177** | **147** | 20 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 83.2 | 81.7 | 86.7 | – | – | 81.3 | 84.7 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Management fees | 218 | 220 | 224 | (1) | (3) | 663 | 648 | 2 |
| Performance and placement revenues | 41 | 42 | 35 | (2) | 17 | 100 | 108 | (7) |
| Investment and partnership income | 33 | 72 | 49 | (54) | (33) | 183 | 207 | (12) |
| **Net revenues** | **292** | **334** | **308** | (13) | (5) | **946** | **963** | (2) |
| of which recurring commissions and fees | 204 | 204 | 204 | 0 | 0 | 609 | 593 | 3 |
| of which transaction- and performance-based revenues | 94 | 104 | 136 | (10) | (31) | 337 | 399 | (16) |
| of which other revenues | (6) | 26 | (32) | – | (81) | 0 | (29) | 100 |

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

## RESULTS

Income before taxes of CHF 49 million decreased 20% compared to 2Q16, driven by lower net revenues, partially offset by lower total operating expenses. Income before taxes increased 20% compared to 3Q15, reflecting lower total operating expenses, partially offset by lower net revenues.

### Net revenues

Compared to 2Q16, net revenues of CHF 292 million decreased 13%, mainly driven by lower investment and partnership income. Investment and partnership income of CHF 33 million decreased CHF 39 million mainly due to an investment gain from Asset Management Finance LLC in 2Q16 and lower income from the real estate sector. Performance and placement revenues decreased slightly to CHF 41 million. Management fees of CHF 218 million were stable.

Compared to 3Q15, net revenues were 5% lower, primarily reflecting lower investment and partnership income. Investment and partnership income decreased 33%, primarily reflecting lower equity participations income from single manager hedge funds. Performance and placement revenues increased 17%, primarily driven by higher investment-related gains, partially offset by lower placement fees. Management fees were slightly lower.

### Total operating expenses

Compared to 2Q16, total operating expenses of CHF 243 million decreased 11%, reflecting lower compensation and benefits, partially offset by higher general and administrative expenses. Compensation and benefits of CHF 144 million decreased 19%, reflecting lower discretionary compensation expenses and lower deferred compensation expenses from prior-year awards. General and administrative expenses of CHF 83 million increased 11%, mainly due to higher professional services fees.

Compared to 3Q15, total operating expenses decreased 9%, reflecting lower compensation and benefits and lower general and administrative expenses. Compensation and benefits were CHF 13 million lower, reflecting lower deferred compensation expenses from prior-year awards. General and administrative expenses were CHF 11 million lower, mainly driven by lower allocated corporate function costs.

## ASSETS UNDER MANAGEMENT

As of the end of 3Q16, assets under management of CHF 324.3 billion were CHF 9.4 billion higher compared to the end of 2Q16, reflecting favorable market movements and net new assets of CHF 5.0 billion. Net new assets reflected inflows from an emerging market joint venture and fixed income products.

### Assets under management – Asset Management

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Traditional investments | 163.4 | 159.5 | 168.6 | 2.4 | (3.1) | 163.4 | 168.6 | (3.1) |
| Alternative investments | 117.7 | 115.7 | 110.8 | 1.7 | 6.2 | 117.7 | 110.8 | 6.2 |
| Investments and partnerships | 43.2 | 39.7 | 35.2 | 8.8 | 22.7 | 43.2 | 35.2 | 22.7 |
| **Assets under management** | **324.3** | **314.9** | **314.6** | 3.0 | 3.1 | **324.3** | **314.6** | 3.1 |
| Average assets under management | 318.6 | 310.8 | 315.8 | 2.5 | 0.9 | 315.0 | 309.4 | 1.8 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 90.2 | 88.9 | 90.3 | 1.5 | (0.1) | 90.2 | 90.3 | (0.1) |
| EUR | 36.8 | 36.4 | 42.0 | 1.1 | (12.4) | 36.8 | 42.0 | (12.4) |
| CHF | 145.9 | 142.6 | 144.3 | 2.3 | 1.1 | 145.9 | 144.3 | 1.1 |
| Other | 51.4 | 47.0 | 38.0 | 9.4 | 35.3 | 51.4 | 38.0 | 35.3 |
| **Assets under management** | **324.3** | **314.9** | **314.6** | 3.0 | 3.1 | **324.3** | **314.6** | 3.1 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets [1] | 5.0 | 3.5 | 5.6 | – | – | 10.0 | 22.9 | – |
| Other effects | 4.4 | 10.1 | (4.1) | – | – | (7.0) | (13.5) | – |
| of which market movements | 5.0 | 6.8 | (8.7) | – | – | 6.2 | (4.4) | – |
| of which foreign exchange | (0.8) | 2.0 | 5.0 | – | – | (1.1) | (8.7) | – |
| of which other | 0.2 | 1.3 | (0.4) | – | – | (12.1) | (0.4) | – |
| **Growth in assets under management** | **9.4** | **13.6** | **1.5** | – | – | **3.0** | **9.4** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 6.4 | 4.6 | 7.2 | – | – | 4.1 | 10.0 | – |
| Other effects | 5.5 | 13.4 | (5.2) | – | – | (2.9) | (5.9) | – |
| **Growth in assets under management** | **11.9** | **18.0** | **2.0** | – | – | **1.2** | **4.1** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 4.3 | 4.5 | 4.7 | – | – | – | – | – |
| Other effects | (1.2) | (4.0) | (2.1) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **3.1** | **0.5** | **2.6** | – | – | – | – | – |

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

# Asia Pacific

In 3Q16, we reported income before taxes of CHF 152 million and net revenues of CHF 917 million. Income before taxes decreased 26% compared to 2Q16 and 6% compared to 3Q15.

## RESULTS SUMMARY

### 3Q16 results

In 3Q16, we reported income before taxes of CHF 152 million and net revenues of CHF 917 million. Compared to 2Q16, net revenues were stable, as higher underwriting and advisory revenues and higher revenues from the ultra-high-net-worth individual and high-net-worth individual client business in Private Banking were offset by lower fixed income sales and trading revenues. Provision for credit losses was CHF 34 million in 3Q16, compared to a provision of CHF 3 million in 2Q16. Total operating expenses of CHF 731 million increased 4%, primarily due to higher general and administrative and restructuring expenses.

Compared to 3Q15, net revenues increased 4%, driven by higher revenues from Private Banking, underwriting and advisory and fixed income sales and trading, partially offset by lower equity sales and trading revenues reflecting the absence of the strong market conditions experienced in 3Q15. Total operating expenses increased 5%, primarily from restructuring expenses in 3Q16 reflecting ongoing cost management initiatives, higher general and administrative expenses, and slightly increased compensation and benefits driven by growth-related higher headcount, including in risk and compliance functions, partially offset by lower commission expenses.

Adjusted income before taxes of CHF 175 million decreased 19% compared to 2Q16 and increased 8% compared to 3Q15.

### Capital and leverage metrics

At the end of 3Q16, we reported risk-weighted assets of CHF 32.3 billion, an increase of CHF 0.6 billion compared to the end of 2Q16, mainly reflecting methodology changes, partially offset by lower risk levels. Leverage exposure was CHF 108.5 billion, reflecting an increase of CHF 0.9 billion compared to the end of 2Q16, primarily driven by stronger equity trading volumes and increased lending.

## Divisional results

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **917** | **911** | **885** | 1 | 4 | **2,735** | **3,013** | (9) |
| **Provision for credit losses** | **34** | **3** | **24** | – | 42 | **15** | **32** | (53) |
| Compensation and benefits | 413 | 419 | 404 | (1) | 2 | 1,236 | 1,167 | 6 |
| General and administrative expenses | 224 | 203 | 207 | 10 | 8 | 617 | 565 | 9 |
| Commission expenses | 71 | 70 | 88 | 1 | (19) | 211 | 255 | (17) |
| Restructuring expenses | 23 | 10 | – | 130 | – | 34 | – | – |
| Total other operating expenses | 318 | 283 | 295 | 12 | 8 | 862 | 820 | 5 |
| **Total operating expenses** | **731** | **702** | **699** | 4 | 5 | **2,098** | **1,987** | 6 |
| **Income before taxes** | **152** | **206** | **162** | (26) | (6) | **622** | **994** | (37) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 11.3 | 15.6 | 12.5 | – | – | 15.9 | 23.0 | – |
| Cost/income ratio | 79.7 | 77.1 | 79.0 | – | – | 76.7 | 65.9 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 4,320 | 4,073 | 3,341 | 6 | 29 | 4,058 | 3,335 | 22 |
| Pre-tax return on average economic risk capital (%) [1] | 14.1 | 20.3 | 19.4 | – | – | 20.5 | 39.8 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 7,140 | 7,020 | 6,390 | 2 | 12 | 7,140 | 6,390 | 12 |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Net revenues (CHF million)** | | | | | | | | |
| Private Banking | 346 | 337 | 303 | 3 | 14 | 1,002 | 907 | 10 |
| Investment Banking | 571 | 574 | 582 | (1) | (2) | 1,733 | 2,106 | (18) |
| **Net revenues** | **917** | **911** | **885** | 1 | 4 | **2,735** | **3,013** | (9) |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 54 | 4 | 37 | – | 46 | 58 | 51 | 14 |
| Releases of provisions | (20) | (1) | (13) | – | 54 | (43) | (19) | 126 |
| **Provision for credit losses** | **34** | **3** | **24** | – | 42 | **15** | **32** | (53) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 93,079 | 92,194 | 86,995 | 1 | 7 | 93,079 | 86,995 | 7 |
| Net loans | 38,669 | 37,813 | 34,481 | 2 | 12 | 38,669 | 34,481 | 12 |
| Risk-weighted assets | 32,264 | 31,644 | 26,606 | 2 | 21 | 32,264 | 26,606 | 21 |
| Leverage exposure | 108,495 | 107,595 | 100,402 | 1 | 8 | 108,495 | 100,402 | 8 |

## Reconciliation of adjusted results

| | | Private Banking | | | Investment Banking | | | **Asia Pacific** | |
|---|---|---|---|---|---|---|---|---|---|
| in | **3Q16** | 2Q16 | 3Q15 | **3Q16** | 2Q16 | 3Q15 | **3Q16** | 2Q16 | 3Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **346** | **337** | **303** | **571** | **574** | **582** | **917** | **911** | **885** |
| **Provision for credit losses** | **38** | **2** | **24** | **(4)** | **1** | **–** | **34** | **3** | **24** |
| **Total operating expenses** | **242** | **245** | **210** | **489** | **457** | **489** | **731** | **702** | **699** |
| Restructuring expenses | (3) | 0 | – | (20) | (10) | – | (23) | (10) | – |
| **Adjusted total operating expenses** | **239** | **245** | **210** | **469** | **447** | **489** | **708** | **692** | **699** |
| **Income before taxes** | **66** | **90** | **69** | **86** | **116** | **93** | **152** | **206** | **162** |
| Total adjustments | 3 | 0 | 0 | 20 | 10 | 0 | 23 | 10 | 0 |
| **Adjusted income before taxes** | **69** | **90** | **69** | **106** | **126** | **93** | **175** | **216** | **162** |
| Adjusted return on regulatory capital (%) | – | – | – | – | – | – | 12.9 | 16.4 | 12.5 |

| | Private Banking | | Investment Banking | | **Asia Pacific** | |
|---|---|---|---|---|---|---|
| in | **9M16** | 9M15 | **9M16** | 9M15 | **9M16** | 9M15 |
| **Adjusted results (CHF million)** | | | | | | |
| **Net revenues** | **1,002** | **907** | **1,733** | **2,106** | **2,735** | **3,013** |
| **Provision for credit losses** | **23** | **23** | **(8)** | **9** | **15** | **32** |
| **Total operating expenses** | **703** | **588** | **1,395** | **1,399** | **2,098** | **1,987** |
| Restructuring expenses | (3) | – | (31) | – | (34) | – |
| **Adjusted total operating expenses** | **700** | **588** | **1,364** | **1,399** | **2,064** | **1,987** |
| **Income before taxes** | **276** | **296** | **346** | **698** | **622** | **994** |
| Total adjustments | 3 | 0 | 31 | 0 | 34 | 0 |
| **Adjusted income before taxes** | **279** | **296** | **377** | **698** | **656** | **994** |
| Adjusted return on regulatory capital (%) | – | – | – | – | 16.7 | 23.0 |

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

## PRIVATE BANKING

### RESULTS

Income before taxes of CHF 66 million decreased 27% compared to 2Q16, primarily reflecting higher provision for credit losses, partially offset by higher net revenues. Compared to 3Q15, income before taxes decreased 4%, primarily from higher total operating expenses and higher provision for credit losses, partially offset by higher net revenues. Adjusted income before taxes of CHF 69 million decreased 23% compared to 2Q16 and was stable compared to 3Q15.

#### Net revenues

Net revenues of CHF 346 million increased slightly compared to 2Q16, due to higher net interest income. Net interest income increased 11% to CHF 159 million reflecting higher loan margins and stable deposit margins on higher average volumes. Recurring commissions and fees decreased 4% to CHF 67 million, primarily reflecting lower other commissions and fees. Transaction-based revenues decreased slightly to CHF 120 million, mainly due to lower brokerage and product issuing fees.

Compared to 3Q15, net revenues increased 14%, mainly reflecting increases in net interest income and transaction-based revenues, partially offset by a decrease in other revenues as 3Q15 reflected gains on credit hedges that were offset by a corresponding provision for credit losses. Net interest income increased 39% reflecting higher loan and significantly higher deposit margins on higher average volumes. Transaction-based revenues increased 17%, primarily reflecting higher corporate advisory fees arising from integrated solutions and higher brokerage and product issuing fees. Recurring commissions and fees increased slightly, mainly due to higher investment product management and wealth structuring solution fees, partially offset by lower discretionary mandate management fees.

### Results – Private Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **346** | **337** | **303** | 3 | 14 | **1,002** | **907** | 10 |
| **Provision for credit losses** | **38** | **2** | **24** | – | 58 | **23** | **23** | 0 |
| Compensation and benefits | 169 | 158 | 132 | 7 | 28 | 475 | 383 | 24 |
| General and administrative expenses | 57 | 77 | 64 | (26) | (11) | 191 | 166 | 15 |
| Commission expenses | 13 | 10 | 14 | 30 | (7) | 34 | 39 | (13) |
| Restructuring expenses | 3 | 0 | – | – | – | 3 | – | – |
| Total other operating expenses | 73 | 87 | 78 | (16) | (6) | 228 | 205 | 11 |
| **Total operating expenses** | **242** | **245** | **210** | (1) | 15 | **703** | **588** | 20 |
| **Income before taxes** | **66** | **90** | **69** | (27) | (4) | **276** | **296** | (7) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 69.9 | 72.7 | 69.3 | – | – | 70.2 | 64.8 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 159 | 143 | 114 | 11 | 39 | 436 | 314 | 39 |
| Recurring commissions and fees | 67 | 70 | 65 | (4) | 3 | 210 | 200 | 5 |
| Transaction-based revenues | 120 | 124 | 103 | (3) | 17 | 372 | 372 | 0 |
| Other revenues | 0 | 0 | 21 | – | (100) | (16) | 21 | – |
| **Net revenues** | **346** | **337** | **303** | 3 | 14 | **1,002** | **907** | 10 |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 84 | 87 | 84 | – | – | 85 | 81 | – |
| Net margin [2] | 16 | 23 | 19 | – | – | 24 | 26 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 650 | 650 | 550 | 0 | 18 | 650 | 550 | 18 |

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

#### Provision for credit losses

The Private Banking loan portfolio primarily comprises lombard loans, mainly backed by listed securities.

In 3Q16, Private Banking recorded a provision for credit losses of CHF 38 million, compared to a net provision for credit losses of CHF 2 million in 2Q16 and of CHF 24 million in 3Q15. The higher provision for credit losses in 3Q16 was in relation to a small number of share-based loans in Hong Kong which were impaired due to their collateral values abruptly falling below their loan amounts.

### Total operating expenses

Total operating expenses of CHF 242 million were stable compared to 2Q16, mainly reflecting lower general and administrative expenses, partially offset by higher compensation and benefits. General and administrative expenses decreased 26% to CHF 57 million, mainly due to lower allocated corporate function costs. Compensation and benefits increased 7% to CHF 169 million, primarily driven by higher salary and discretionary compensation expenses.

Compared to 3Q15, total operating expenses increased 15%, mainly reflecting higher compensation and benefits, partially offset by lower general and administrative expenses. Compensation and benefits increased 28%, primarily driven by higher salary expenses reflecting growth-related higher headcount. General and administrative expenses decreased 11%, mainly due to lower allocated corporate function costs, partially offset by higher occupancy expenses.

## MARGINS

### Gross margin

Our gross margin was 84 basis points in 3Q16, three basis points lower compared to 2Q16, mainly reflecting a 6.5% increase in average assets under management, partially offset by higher net interest income. Compared to 3Q15, our gross margin was stable, mainly reflecting higher net interest income, offset by a 14.4% increase in average assets under management.

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

### Net margin

Our net margin was 16 basis points in 3Q16, seven basis points lower compared to 2Q16, mainly reflecting higher provision for credit losses, partially offset by higher net interest income. Compared to 3Q15, our net margin was three basis points lower, mainly reflecting higher operating expenses, partially offset by higher net interest income.

## ASSETS UNDER MANAGEMENT

As of the end of 3Q16, assets under management of CHF 169.0 billion were CHF 10.7 billion higher compared to the end of 2Q16, mainly reflecting favorable market movements and net new assets of CHF 4.6 billion. Net new assets reflected inflows primarily from Greater China, South East Asia and Australia.

### Assets under management – Private Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 169.0 | 158.3 | 139.1 | 6.8 | 21.5 | 169.0 | 139.1 | 21.5 |
| Average assets under management | 165.2 | 155.1 | 144.4 | 6.5 | 14.4 | 156.2 | 149.6 | 4.4 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 79.0 | 73.7 | 60.3 | 7.2 | 31.0 | 79.0 | 60.3 | 31.0 |
| EUR | 4.5 | 4.7 | 4.5 | (4.3) | 0.0 | 4.5 | 4.5 | 0.0 |
| CHF | 1.8 | 1.9 | 2.0 | (5.3) | (10.0) | 1.8 | 2.0 | (10.0) |
| Other | 83.7 | 78.0 | 72.3 | 7.3 | 15.8 | 83.7 | 72.3 | 15.8 |
| **Assets under management** | **169.0** | **158.3** | **139.1** | 6.8 | 21.5 | **169.0** | **139.1** | 21.5 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 4.6 | 5.0 | 3.7 | – | – | 13.9 | 14.8 | – |
| Other effects | 6.1 | 3.7 | (20.5) | – | – | 4.7 | (26.2) | – |
| of which market movements | 6.9 | 1.2 | (15.8) | – | – | 5.2 | (11.0) | – |
| of which foreign exchange | (0.5) | 2.4 | 4.4 | – | – | (0.4) | (5.5) | – |
| of which other | (0.3) | 0.1 | (9.1) | – | – | (0.1) | (9.7) | – |
| **Growth in assets under management** | **10.7** | **8.7** | **(16.8)** | – | – | **18.6** | **(11.4)** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 11.6 | 13.4 | 9.5 | – | – | 12.3 | 13.1 | – |
| Other effects | 15.4 | 9.9 | (52.6) | – | – | 4.2 | (23.2) | – |
| **Growth in assets under management (annualized)** | **27.0** | **23.3** | **(43.1)** | – | – | **16.5** | **(10.1)** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 12.1 | 10.3 | 11.0 | – | – | – | – | – |
| Other effects | 9.4 | (8.8) | (17.7) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **21.5** | **1.5** | **(6.7)** | – | – | – | – | – |

## INVESTMENT BANKING

### RESULTS

Income before taxes of CHF 86 million decreased 26% compared to 2Q16, mainly due to higher total operating expenses including restructuring expenses in 3Q16. Compared to 3Q15, income before taxes decreased 8%, reflecting slightly lower net revenues, partially offset by a release of provision for credit losses. Adjusted income before taxes of CHF 106 million decreased 16% compared to 2Q16 and increased 14% compared to 3Q15.

#### Net revenues

Net revenues of CHF 571 million were stable compared to 2Q16, mainly reflecting lower fixed income sales and trading revenues, offset by higher underwriting and advisory revenues. Fixed income sales and trading revenues decreased 11% to CHF 148 million, mainly due to lower revenues from rates products, partially offset by higher revenues from emerging markets rates and foreign exchange products. Rates products revenue for the quarter included a positive impact of CHF 33 million resulting from an increase in the funding value of certain structured deposits originated in Asia Pacific. Underwriting and advisory revenues increased 15% to CHF 115 million, due to fees from equity and debt underwriting reflecting higher client activity with regard to IPOs and debt issuances, partially offset by a decline in total advisory and other fees. Equity sales and trading revenues in 3Q16 were stable at CHF 339 million, reflecting higher revenues from cash equities due to an increase in volumes and higher revenues from derivatives due to increased client activity. These increases were partially offset by the absence of the positive impact of CHF 65 million in 2Q16 in derivatives resulting from a recalibration of the valuation model for certain hybrid instruments to reflect increased observability of pricing data and a more standardized approach across products.

Compared to 3Q15, net revenues decreased slightly, mainly due to lower equity sales and trading revenues, partially offset by higher underwriting and advisory revenues and higher fixed income sales and trading revenues. Equity sales and trading revenues decreased 25%, reflecting the absence of the strong market conditions experienced in 3Q15, primarily in derivatives and systematic market making. Underwriting and advisory revenues increased 98% due to higher advisory fees from M&A transactions and debt and equity underwriting revenues reflecting higher client activity with regard to IPOs and debt issuances. Fixed income sales and trading revenues increased 51%, primarily driven by financing income from corporate and entrepreneur clients, foreign exchange products and the positive impact from the increase in the funding value of certain structured deposits originated in Asia Pacific.

### Results – Investment Banking

| | | in / end of | | % change | | in / end of | | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **571** | **574** | **582** | (1) | (2) | **1,733** | **2,106** | (18) |
| **Provision for credit losses** | **(4)** | **1** | **0** | – | – | **(8)** | **9** | – |
| Compensation and benefits | 244 | 261 | 272 | (7) | (10) | 761 | 784 | (3) |
| General and administrative expenses | 167 | 126 | 143 | 33 | 17 | 426 | 399 | 7 |
| Commission expenses | 58 | 60 | 74 | (3) | (22) | 177 | 216 | (18) |
| Restructuring expenses | 20 | 10 | – | 100 | – | 31 | – | – |
| Total other operating expenses | 245 | 196 | 217 | 25 | 13 | 634 | 615 | 3 |
| **Total operating expenses** | **489** | **457** | **489** | 7 | 0 | **1,395** | **1,399** | 0 |
| **Income before taxes** | **86** | **116** | **93** | (26) | (8) | **346** | **698** | (50) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 85.6 | 79.6 | 84.0 | – | – | 80.5 | 66.4 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Fixed income sales and trading | 148 | 167 | 98 | (11) | 51 | 565 | 469 | 20 |
| Equity sales and trading | 339 | 340 | 452 | 0 | (25) | 974 | 1,493 | (35) |
| Underwriting and advisory | 115 | 100 | 58 | 15 | 98 | 287 | 212 | 35 |
| Other revenues | (31) | (33) | (26) | (6) | 19 | (93) | (68) | 37 |
| **Net revenues** | **571** | **574** | **582** | **(1)** | **(2)** | **1,733** | **2,106** | **(18)** |

**Provision for credit losses**
In 3Q16, Investment Banking recorded a net release of provision for credit losses of CHF 4 million, compared to a net provision of CHF 1 million in 2Q16. Investment Banking recorded no provision for credit losses in 3Q15.

**Total operating expenses**
Total operating expenses of CHF 489 million increased 7% compared to 2Q16, mainly due to higher general and administrative expenses and higher restructuring expenses, partially offset by lower compensation and benefits. General and administrative expenses increased 33% to CHF 167 million, mainly reflecting higher allocated corporate function costs, partially offset by lower advertising and marketing expenses and lower travel expenses. Compensation and benefits decreased 7% to CHF 244 million, mainly due to lower deferred compensation expenses from prior-year awards and lower salary expenses, partially offset by higher discretionary compensation expenses. Adjusted total operating expenses increased 5% compared to 2Q16.

Compared to 3Q15, total operating expenses were stable, mainly reflecting lower compensation and benefits and lower commission expenses, offset by higher general and administrative expenses and restructuring expenses in 3Q16. Compensation and benefits decreased 10%, primarily driven by lower discretionary compensation and lower deferred compensation expenses from prior-year awards, partially offset by higher salary expenses reflecting growth-related hires. Commission expenses decreased 22% to CHF 58 million reflecting lower client trading volumes in equities. General and administrative expenses increased 17%, mainly due to higher allocated corporate function costs. Adjusted total operating expenses decreased 4% compared to 3Q15.

# Global Markets

In 3Q16, Global Markets reported income before taxes of CHF 87 million and net revenues of CHF 1,357 million. Net revenues decreased 17% compared to 2Q16, reflecting a seasonal slowdown in client activity exacerbated by challenging market conditions, particularly in equities.

## RESULTS SUMMARY

### 3Q16 results

In 3Q16, we reported income before taxes of CHF 87 million and net revenues of CHF 1,357 million. Compared to 2Q16, net revenues decreased 17%, reflecting a 40% decline in equities revenues, 15% decline in solutions revenues and 3% decline in credit revenues. Compared to 3Q15, net revenues declined 14%, primarily due to challenging equity trading conditions in EMEA, partially offset by improved results in global credit products, global macro products and emerging markets. Revenues from our equities businesses declined 38%, credit revenues increased 3% and solutions revenues decreased 13%.

Total operating expenses of CHF 1,275 million decreased 15% compared to 2Q16, reflecting lower compensation and benefits, lower costs related to our risk, regulatory and compliance infrastructure and lower costs in the UK. Compared to 3Q15, total operating expenses decreased 2%, reflecting lower litigation expenses, reduced costs related to our risk, regulatory and compliance infrastructure, lower commission expenses and lower costs in the UK. These decreases were partially offset by higher compensation and benefits and restructuring costs of CHF 52 million incurred in 3Q16. We reported an adjusted income before taxes of CHF 146 million in 3Q16, compared to an adjusted income before taxes of CHF 204 million in 2Q16 and an adjusted income before taxes of CHF 390 million in 3Q15.

### Capital and leverage metrics

As of the end of 3Q16, we reported risk-weighted assets of USD 52.7 billion, below our end-2016 target of USD 60 billion. Risk weighted assets were stable compared to 2Q16, primarily reflecting model and parameter updates and movements in risk levels, mostly offset by internal methodology and policy changes. Leverage exposure was USD 295.7 billion, reflecting an increase of USD 9.3 billion compared to the end of 2Q16. This compares to our end-2016 target of USD 290 billion.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,357** | **1,630** | **1,579** | (17) | (14) | **4,232** | **5,656** | (25) |
| **Provision for credit losses** | **(5)** | **(17)** | **14** | (71) | – | **1** | **14** | (93) |
| Compensation and benefits | 642 | 778 | 536 | (17) | 20 | 2,091 | 2,181 | (4) |
| General and administrative expenses | 466 | 543 | 625 | (14) | (25) | 1,526 | 1,655 | (8) |
| Commission expenses | 115 | 122 | 141 | (6) | (18) | 369 | 425 | (13) |
| Restructuring expenses | 52 | 50 | – | 4 | – | 202 | – | – |
| Total other operating expenses | 633 | 715 | 766 | (11) | (17) | 2,097 | 2,080 | 1 |
| **Total operating expenses** | **1,275** | **1,493** | **1,302** | (15) | (2) | **4,188** | **4,261** | (2) |
| **Income before taxes** | **87** | **154** | **263** | (44) | (67) | **43** | **1,381** | (97) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 2.5 | 4.3 | 6.5 | – | – | 0.4 | 11.0 | – |
| Cost/income ratio | 94.0 | 91.6 | 82.5 | – | – | 99.0 | 75.3 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 9,311 | 9,924 | 12,729 | (6) | (27) | 10,087 | 12,532 | (20) |
| Pre-tax return on average economic risk capital (%) [1] | 4.2 | 6.6 | 9.0 | – | – | 1.0 | 15.4 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 11,680 | 11,620 | 11,800 | 1 | (1) | 11,680 | 11,800 | (1) |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Equities | 324 | 536 | 519 | (40) | (38) | 1,394 | 1,766 | (21) |
| Credit | 719 | 742 | 699 | (3) | 3 | 1,851 | 2,627 | (30) |
| Solutions | 349 | 409 | 400 | (15) | (13) | 1,103 | 1,368 | (19) |
| Other | (35) | (57) | (39) | (39) | (10) | (116) | (105) | 10 |
| **Net revenues** | **1,357** | **1,630** | **1,579** | (17) | (14) | **4,232** | **5,656** | (25) |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Total assets | 245,492 | 239,419 | 263,634 | 3 | (7) | 245,492 | 263,634 | (7) |
| Risk-weighted assets | 51,127 | 50,750 | 61,555 | 1 | (17) | 51,127 | 61,555 | (17) |
| Risk-weighted assets (USD) | 52,741 | 52,094 | 62,998 | 1 | (16) | 52,741 | 62,998 | (16) |
| Leverage exposure | 286,694 | 279,099 | 306,069 | 3 | (6) | 286,694 | 306,069 | (6) |
| Leverage exposure (USD) | 295,744 | 286,490 | 313,242 | 3 | (6) | 295,744 | 313,242 | (6) |

## Reconciliation of adjusted results

| | | | | | Global Markets |
|---|---|---|---|---|---|
| in | **3Q16** | 2Q16 | 3Q15 | **9M16** | 9M15 |
| **Adjusted results (CHF million)** | | | | | |
| **Net revenues** | **1,357** | **1,630** | **1,579** | **4,232** | **5,656** |
| **Provision for credit losses** | **(5)** | **(17)** | **14** | **1** | **14** |
| **Total operating expenses** | **1,275** | **1,493** | **1,302** | **4,188** | **4,261** |
| Restructuring expenses | (52) | (50) | – | (202) | – |
| Major litigation provisions | (7) | 0 | (127) | (7) | (181) |
| **Adjusted total operating expenses** | **1,216** | **1,443** | **1,175** | **3,979** | **4,080** |
| **Income before taxes** | **87** | **154** | **263** | **43** | **1,381** |
| Total adjustments | 59 | 50 | 127 | 209 | 181 |
| **Adjusted income before taxes** | **146** | **204** | **390** | **252** | **1,562** |
| Adjusted return on regulatory capital (%) | 4.1 | 5.8 | 9.6 | 2.4 | 12.4 |

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

## RESULTS

### Equities

In 3Q16, equities revenues of CHF 324 million declined 40% compared to 2Q16, reflecting lower volatility and volumes across regions and a seasonal slowdown in client activity. Systematic market making revenues decreased, reflecting challenging trading conditions, particularly in EMEA. Prime services declined compared to 2Q16, which benefited from the European dividend season. We also had lower revenues in cash equities driven by significantly lower trading volumes, particularly in EMEA, and reduced underwriting revenues given a slowdown in industry-wide issuance activity.

Compared to 3Q15, equities revenues declined 38%, primarily reflecting challenging operating conditions, specifically a low volume and volatility environment in EMEA following the UK referendum on EU membership, which negatively impacted client trading activity. Systematic market making revenues declined significantly, particularly in EMEA, due to more favorable market conditions in 3Q15. Prime services revenues decreased due to lower prime brokerage performance given our resized business model compared to 3Q15 and muted client risk appetite. Cash equities results were stable as higher underwriting revenues from increased follow-on activity and improved trading in Latin America offset a significant decline in EMEA trading volumes.

### Credit

In 3Q16, credit revenues of CHF 719 million decreased 3% compared to 2Q16. Global credit products trading revenues decreased slightly, reflecting lower leveraged finance and investment grade trading revenues, partially offset by improved corporate lending. Underwriting revenues were stable. Securitized products revenues decreased, primarily due to a decline in asset finance revenues given a lower risk footprint, partially offset by a significant improvement in agency commercial mortgage-backed securities (CMBS) trading due to low volatility and an improved market environment.

Compared to 3Q15, credit revenues increased 3%, reflecting favorable market conditions, notably improved credit asset prices and lower volatility, which supported increased client activity. In 3Q15, results reflected reduced levels of client activity related to extreme credit market conditions, which adversely impacted our securitized products and global credit products franchises. Global credit products trading revenues increased significantly, albeit from subdued levels, primarily reflecting increased leveraged finance trading activity and improved corporate lending results. Underwriting revenues increased, reflecting higher leveraged finance and investment grade industry-wide issuance. These increases were partially offset by lower securitized products trading revenues, particularly in global asset finance as we resized the franchise.

**Solutions**

In 3Q16, solutions revenues of CHF 349 million decreased 15% compared to 2Q16, as lower equity derivatives and global macro products revenues more than offset higher revenues in emerging markets. Lower revenues in equity derivatives reflected a decline in client activity across corporate and flow derivatives due to lower volatility. Global macro products revenues declined, reflecting lower foreign exchange results. These declines were partially offset by improved emerging markets revenues that reflected higher trading activity in Brazil.

Compared to 3Q15, solutions revenues decreased 13%, as unfavorable derivatives market conditions more than offset increased client activity in global macro products and improved operating conditions in emerging markets. Equity derivatives revenues declined, reflecting low levels of volatility, which negatively impacted flow- and corporate derivatives. This decline was partially offset by improved global macro products revenues, compared to muted 3Q15 performance, as low interest rate volatility led to increased client activity in our rates business. In addition, emerging markets revenues increased, reflecting higher trading activity in Brazil and improved financing revenues.

**Provision for credit losses**

Global markets recorded a release of provision for credit losses of CHF 5 million in 3Q16 and CHF 17 million in 2Q16, reflecting a continued stabilization in the energy sector. This compares to a provision for credit losses of CHF 14 million in 3Q15.

**Total operating expenses**

In 3Q16, total operating expenses of CHF 1,275 million decreased 15% compared to 2Q16, reflecting lower compensation and benefits, reduced general and administrative expenses and lower costs in the UK. The decrease in compensation and benefits was primarily driven by lower discretionary compensation and salary expenses. The decrease in general and administrative expenses was primarily driven by reduced costs related to our risk, regulatory and compliance infrastructure.

Compared to 3Q15, total operating expenses decreased 2%, reflecting reduced general and administrative expenses and lower costs in the UK. General and administrative expenses declined due to lower litigation expenses as 3Q15 included a CHF 127 million litigation expense relating to a credit default swap settlement and we had reduced costs in 3Q16 related to our risk, regulatory and compliance infrastructure. Commission expenses were also lower. These declines were partially offset by an increase in compensation and benefits primarily due to higher discretionary compensation expenses, reflecting a lower compensation accrual in 3Q15, and restructuring expenses of CHF 52 million incurred in 3Q16. Adjusted total operating expenses increased 3%.

# Investment Banking & Capital Markets

In 3Q16, Investment Banking & Capital Markets reported income before taxes of CHF 39 million and net revenues of CHF 467 million. Net revenues increased 17% compared to 3Q15, outperforming the industry-wide fee pool which was down 3%.

## RESULTS SUMMARY

### 3Q16 results

In 3Q16, we reported income before taxes of CHF 39 million, a decrease of 71% compared to 2Q16, primarily due to lower net revenues and higher total operating expenses. Net revenues of CHF 467 million decreased 14% compared to 2Q16, due to lower revenues from underwriting, advisory and other fees, partially offset by improved performance from our corporate lending portfolio. Compared to 2Q16, debt underwriting revenues decreased 18%, revenues from advisory and other fees decreased 16% and equity underwriting revenues decreased 22%. Total operating expenses of CHF 437 million increased 7% compared to 2Q16, driven by higher restructuring expenses and compensation and benefits.

Compared to 3Q15, income before taxes decreased 40%, reflecting higher total operating expenses. Net revenues increased 17%, primarily driven by higher debt and equity underwriting revenues. Debt underwriting revenues increased 13% and equity underwriting revenues increased 42%, while advisory revenues were stable.

### Capital and leverage metrics

As of the end of 3Q16, risk-weighted assets were USD 18.6 billion, an increase of USD 1.6 billion compared to the end of 2Q16, mainly driven by an increase in underwriting activity. Leverage exposure was USD 45.6 billion, reflecting an increase of USD 0.7 billion compared to the end of 2Q16, driven by a significant increase in underwriting volume.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **467** | **543** | **400** | (14) | 17 | **1,398** | **1,367** | 2 |
| **Provision for credit losses** | **(9)** | **0** | **0** | – | – | **20** | **0** | – |
| Compensation and benefits | 313 | 308 | 228 | 2 | 37 | 908 | 898 | 1 |
| General and administrative expenses | 109 | 108 | 106 | 1 | 3 | 323 | 304 | 6 |
| Commission expenses | 0 | 0 | 1 | – | (100) | 1 | 2 | (50) |
| Restructuring expenses | 15 | (8) | – | – | – | 34 | – | – |
| Total other operating expenses | 124 | 100 | 107 | 24 | 16 | 358 | 306 | 17 |
| **Total operating expenses** | **437** | **408** | **335** | 7 | 30 | **1,266** | **1,204** | 5 |
| **Income before taxes** | **39** | **135** | **65** | (71) | (40) | **112** | **163** | (31) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 6.1 | 22.6 | 12.6 | – | – | 6.4 | 11.6 | – |
| Cost/income ratio | 93.6 | 75.1 | 83.8 | – | – | 90.6 | 88.1 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 4,762 | 4,567 | 3,779 | 4 | 26 | 4,536 | 3,630 | 25 |
| Pre-tax return on average economic risk capital (%) [1] | 3.3 | 11.8 | 6.9 | – | – | 3.3 | 6.0 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 2,910 | 2,800 | 2,790 | 4 | 4 | 2,910 | 2,790 | 4 |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Advisory and other fees | 161 | 191 | 163 | (16) | (1) | 581 | 472 | 23 |
| Debt underwriting | 239 | 290 | 211 | (18) | 13 | 706 | 671 | 5 |
| Equity underwriting | 74 | 95 | 52 | (22) | 42 | 213 | 274 | (22) |
| Other | (7) | (33) | (26) | (79) | (73) | (102) | (50) | 104 |
| **Net revenues** | **467** | **543** | **400** | (14) | 17 | **1,398** | **1,367** | 2 |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Total assets | 19,931 | 22,064 | 12,847 | (10) | 55 | 19,931 | 12,847 | 55 |
| Risk-weighted assets | 18,019 | 16,513 | 15,060 | 9 | 20 | 18,019 | 15,060 | 20 |
| Risk-weighted assets (USD) | 18,588 | 16,950 | 15,413 | 10 | 21 | 18,588 | 15,413 | 21 |
| Leverage exposure | 44,240 | 43,756 | 35,694 | 1 | 24 | 44,240 | 35,694 | 24 |
| Leverage exposure (USD) | 45,636 | 44,915 | 36,531 | 2 | 25 | 45,636 | 36,531 | 25 |

## Reconciliation of adjusted results

| | | | | Investment Banking & Capital Markets | |
|---|---|---|---|---|---|
| in | **3Q16** | 2Q16 | 3Q15 | **9M16** | 9M15 |
| **Adjusted results (CHF million)** | | | | | |
| **Net revenues** | **467** | **543** | **400** | **1,398** | **1,367** |
| **Provision for credit losses** | **(9)** | **0** | **0** | **20** | **0** |
| **Total operating expenses** | **437** | **408** | **335** | **1,266** | **1,204** |
| Restructuring expenses | (15) | 8 | – | (34) | – |
| **Adjusted total operating expenses** | **422** | **416** | **335** | **1,232** | **1,204** |
| **Income before taxes** | **39** | **135** | **65** | **112** | **163** |
| Total adjustments | 15 | (8) | 0 | 34 | 0 |
| **Adjusted income before taxes** | **54** | **127** | **65** | **146** | **163** |
| Adjusted return on regulatory capital (%) | 8.6 | 21.1 | 12.6 | 8.3 | 11.6 |

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

## RESULTS

### Advisory and other fees

In 3Q16, revenues from advisory and other fees of CHF 161 million decreased 16% compared to 2Q16, reflecting lower revenues from completed M&A transactions.

Revenues decreased 1% compared to 3Q15, less than the industry-wide decline in the overall M&A fee pool.

### Debt underwriting

In 3Q16, debt underwriting revenues of CHF 239 million decreased 18% compared to 2Q16, driven by lower derivatives financing revenues and investment grade underwriting revenues.

Compared to 3Q15, revenues increased 13%, driven by higher leveraged finance and investment grade underwriting revenues, partially offset by lower derivatives financing revenues.

### Equity underwriting

In 3Q16, revenues from equity underwriting of CHF 74 million decreased 22% compared to 2Q16, primarily driven by lower revenues from follow-on offerings.

Compared to 3Q15, revenues increased 42%, primarily driven by higher revenues from follow-on offerings.

### Provision for credit losses

In 3Q16, we recorded a release of provision for credit losses of CHF 9 million, reflecting a continued stabilization in the energy sector. There was no provision for credit losses recorded in either 2Q16 or 3Q15.

**Total operating expenses**
Total operating expenses of CHF 437 million increased 7% compared to 2Q16, driven by higher restructuring expenses and compensation and benefits. Restructuring expenses increased as a result of implementation of our plan to better align the EMEA business with Eurozone market conditions. Compensation and benefits of CHF 313 million increased 2%, reflecting a higher discretionary compensation accrual. General and administrative expenses of CHF 109 million were stable.

Compared to 3Q15, total operating expenses increased 30%, driven by an increase in compensation and benefits primarily due to higher discretionary compensation expenses, reflecting a lower compensation accrual in 3Q15 and the restructuring expenses incurred in 3Q16.

## Global advisory and underwriting revenues

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

| | | | in | % change | |
|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY |
| **Global advisory and underwriting revenues (USD million)** | | | | | |
| Global advisory and underwriting revenues | 945 | 1,075 | 777 | (12) | 22 |
| of which advisory and other fees | 209 | 259 | 201 | (19) | 4 |
| of which debt underwriting | 552 | 583 | 448 | (5) | 23 |
| of which equity underwriting | 184 | 233 | 128 | (21) | 44 |

# Strategic Resolution Unit

In 3Q16, the Strategic Resolution Unit reported a loss before taxes of CHF 852 million and decreased its risk-weighted assets by USD 3.0 billion and its leverage exposure by USD 29.0 billion.

## RESULTS SUMMARY

### 3Q16 results

In 3Q16, we reported a loss before taxes of CHF 852 million compared to a loss before taxes of CHF 759 million in 2Q16 and a loss before taxes of CHF 775 million in 3Q15. In 3Q16, we reported an adjusted loss before taxes of CHF 513 million, compared to CHF 739 million in 2Q16 and CHF 749 million in 3Q15.

The Strategic Resolution Unit reported negative net revenues of CHF 165 million in 3Q16, which included negative valuation adjustments in the legacy investment banking portfolio and legacy funding costs, partially offset by revenues from the legacy cross-border business and small markets. Total operating expenses were CHF 682 million in 3Q16, including CHF 514 million of general and administrative expenses, of which CHF 334 million were litigation expenses, and CHF 134 million of compensation and benefits.

In 3Q16, we reported an adjusted total operating expenses of CHF 343 million, compared to CHF 413 million in 2Q16 and CHF 640 million in 3Q15.

### Capital and leverage metrics

As of the end of 3Q16, we reported risk-weighted assets of USD 54.9 billion, a decrease of USD 3.0 billion and USD 20.3 billion compared to the end of 2Q16 and 3Q15, respectively. Leverage exposure was USD 118.6 billion as of the end of 3Q16, reflecting a decrease of USD 29.0 billion and USD 77.6 billion compared to the end of 2Q16 and 3Q15, respectively. In 3Q16, risk-weighted assets and leverage exposure reduction was achieved by various initiatives, including sales of certain loan facilities to third parties, the continued exit of derivatives and the sale of Credit Suisse Park View BDC, Inc.

## Divisional results

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(165)** | **(363)** | **(88)** | (55) | 88 | **(1,069)** | **637** | – |
| of which from noncontrolling interests without significant economic interest | 11 | (1) | 3 | – | 267 | 27 | (9) | – |
| **Provision for credit losses** | **5** | **(37)** | **21** | – | (76) | **83** | **37** | 124 |
| Compensation and benefits | 134 | 162 | 305 | (17) | (56) | 506 | 909 | (44) |
| General and administrative expenses | 514 | 230 | 319 | 123 | 61 | 1,036 | 899 | 15 |
| of which litigation expenses | 334 | 47 | 61 | – | 448 | 404 | 123 | 228 |
| Commission expenses | 13 | 21 | 42 | (38) | (69) | 50 | 122 | (59) |
| Restructuring expenses | 21 | 20 | – | 5 | – | 120 | – | – |
| Total other operating expenses | 548 | 271 | 361 | 102 | 52 | 1,206 | 1,021 | 18 |
| **Total operating expenses** | **682** | **433** | **666** | 58 | 2 | **1,712** | **1,930** | (11) |
| of which from noncontrolling interests without significant economic interest | 7 | (4) | 12 | – | (42) | 21 | 17 | 24 |
| **Loss before taxes** | **(852)** | **(759)** | **(775)** | 12 | 10 | **(2,864)** | **(1,330)** | 115 |
| of which from noncontrolling interests without significant economic interest | 4 | 3 | (9) | 33 | – | 6 | (26) | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 1,840 | 2,050 | 3,820 | (10) | (52) | 1,840 | 3,820 | (52) |

## Divisional results (continued)

| | | | in | % change | | | in | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Restructuring of select onshore businesses | 16 | 10 | 191 | 60 | (92) | 145 | 579 | (75) |
| Legacy cross-border business and small markets | 46 | 49 | 71 | (6) | (35) | 153 | 223 | (31) |
| Restructuring of former Asset Management division | 2 | (21) | (18) | – | – | (56) | (45) | 24 |
| Legacy investment banking portfolio | (171) | (317) | (297) | (46) | (42) | (1,099) | 1 | – |
| Legacy funding costs | (75) | (89) | (61) | (16) | 23 | (246) | (183) | 34 |
| Other | 6 | 6 | 23 | 0 | (74) | 7 | 71 | (90) |
| Noncontrolling interests without significant economic interest | 11 | (1) | 3 | – | 267 | 27 | (9) | – |
| **Net revenues** | **(165)** | **(363)** | **(88)** | (55) | 88 | **(1,069)** | **637** | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 77,581 | 98,058 | 106,215 | (21) | (27) | 77,581 | 106,215 | (27) |
| Risk-weighted assets | 53,268 | 56,481 | 73,511 | (6) | (28) | 53,268 | 73,511 | (28) |
| Risk-weighted assets (USD) | 54,949 | 57,977 | 75,234 | (5) | (27) | 54,949 | 75,234 | (27) |
| Leverage exposure | 115,008 | 143,805 | 191,735 | (20) | (40) | 115,008 | 191,735 | (40) |
| Leverage exposure (USD) | 118,638 | 147,613 | 196,229 | (20) | (40) | 118,638 | 196,229 | (40) |

## Reconciliation of adjusted results

| in | **3Q16** | 2Q16 | 3Q15 | **9M16** | 9M15 |
|---|---|---|---|---|---|
| **Adjusted results (CHF million)** | | | | | |
| **Net revenues** | **(165)** | **(363)** | **(88)** | **(1,069)** | **637** |
| (Gains)/losses on business sales | 0 | 0 | 0 | 4 | 0 |
| **Adjusted net revenues** | **(165)** | **(363)** | **(88)** | **(1,065)** | **637** |
| **Provision for credit losses** | **5** | **(37)** | **21** | **83** | **37** |
| **Total operating expenses** | **682** | **433** | **666** | **1,712** | **1,930** |
| Restructuring expenses | (21) | (20) | – | (120) | – |
| Major litigation provisions | (318) | 0 | (26) | (318) | (36) |
| **Adjusted total operating expenses** | **343** | **413** | **640** | **1,274** | **1,894** |
| **Loss before taxes** | **(852)** | **(759)** | **(775)** | **(2,864)** | **(1,330)** |
| Total adjustments | 339 | 20 | 26 | 442 | 36 |
| **Adjusted loss before taxes** | **(513)** | **(739)** | **(749)** | **(2,422)** | **(1,294)** |

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

## RESULTS

### Net revenues

The Strategic Resolution Unit reported negative net revenues of CHF 165 million in 3Q16 compared to negative net revenues of CHF 363 million in 2Q16 and negative net revenues of CHF 88 million in 3Q15. Compared to 2Q16, the movement was primarily driven by lower negative valuation adjustments in the legacy investment banking portfolio and lower overall funding costs for the division. These improvements were partially offset by higher losses on the life insurance portfolio. Compared to 3Q15, the movement was primarily driven by lower revenues from the restructuring of select onshore businesses, in particular the transfer of our US private banking business, which was announced in October 2015, and lower negative valuation adjustments in the legacy investment banking portfolio.

### Provision for credit losses

In 3Q16, there was a provision for credit losses of CHF 5 million, reflecting an increase in provisions relating primarily to ship finance transactions, partially offset by a release of provisions for corporate loans. This compares to a release of provision for credit losses of CHF 37 million in 2Q16, primarily related to corporate loans, and a provision for credit losses of CHF 21 million in 3Q15.

### Total operating expenses

Total operating expenses of CHF 682 million increased CHF 249 million compared to 2Q16, reflecting higher general and administrative expenses, including litigation expenses of CHF 334 million mainly in connection with mortgage-related matters, partially offset by lower expenses as a result of various cost reduction initiatives. Compared to 3Q15, total operating expenses increased CHF 16 million, reflecting higher general and administrative expenses, primarily driven by higher litigation expenses, partially offset by lower compensation and benefits due to the transfer of our US private banking business. Total operating expenses in 3Q16 included costs of CHF 42 million to meet requirements related to the settlements with US authorities regarding US cross-border matters.

# Corporate Center

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

## RESULTS SUMMARY

In 3Q16, Corporate Center recorded a loss before taxes of CHF 207 million compared to a loss before taxes of CHF 235 million in 2Q16 and income before taxes of CHF 540 million in 3Q15. Compensation and benefits mainly reflect fair value adjustments on certain deferred compensation plans not allocated to the segments and, following their final allocation in 3Q16, certain deferred compensation retention awards relating to Global Markets and Investment Banking & Capital Markets intended to support the restructuring of the Group predominantly through the end of 2017. General and administrative expenses primarily reflected costs associated with the evolution of our legal entity structure to meet developing and future regulatory requirements. Other revenues include required elimination adjustments associated with trading in own shares.

## Corporate Center results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 3Q15 | QoQ | YoY | **9M16** | 9M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Treasury results | 68 | (136) | 74 | – | (8) | (85) | 184 | – |
| Fair value gains/(losses) from movements in own credit spreads [1] | 0 | 0 | 623 | – | (100) | 0 | 995 | (100) |
| Other | 4 | 41 | 55 | (90) | (93) | 172 | 130 | 32 |
| **Net revenues** | **72** | **(95)** | **752** | – | (90) | **87** | **1,309** | (93) |
| **Provision for credit losses** | **0** | **(2)** | **1** | 100 | (100) | **(1)** | **1** | – |
| Compensation and benefits | 185 | 37 | 76 | 400 | 143 | 155 | 217 | (29) |
| General and administrative expenses | 89 | 101 | 121 | (12) | (26) | 298 | 323 | (8) |
| Commission expenses | 5 | 4 | 14 | 25 | (64) | 44 | 15 | 193 |
| Total other operating expenses | 94 | 105 | 135 | (10) | (30) | 342 | 338 | 1 |
| **Total operating expenses** | **279** | **142** | **211** | 96 | 32 | **497** | **555** | (10) |
| **Income/(loss) before taxes** | **(207)** | **(235)** | **540** | (12) | – | **(409)** | **753** | – |
| **Expense allocation to divisions (CHF million)** | | | | | | | | |
| Compensation and benefits | 848 | 709 | 716 | 20 | 18 | 2,201 | 2,173 | 1 |
| General and administrative expenses | 842 | 859 | 1,011 | (2) | (17) | 2,656 | 2,782 | (5) |
| Commission expenses | 5 | 4 | 13 | 25 | (62) | 44 | 16 | 175 |
| Restructuring expenses | 26 | 33 | – | (21) | – | 141 | – | – |
| Total other operating expenses | 873 | 896 | 1,024 | (3) | (15) | 2,841 | 2,798 | 2 |
| **Total operating expenses before allocation to divisions** | **1,721** | **1,605** | **1,740** | 7 | (1) | **5,042** | **4,971** | 1 |
| Net allocation to divisions | 1,442 | 1,463 | 1,529 | (1) | (6) | 4,545 | 4,416 | 3 |
| of which Swiss Universal Bank | 322 | 303 | 378 | 6 | (15) | 988 | 1,059 | (7) |
| of which International Wealth Management | 242 | 244 | 249 | (1) | (3) | 766 | 745 | 3 |
| of which Asia Pacific | 209 | 200 | 205 | 4 | 2 | 605 | 566 | 7 |
| of which Global Markets | 464 | 488 | 465 | (5) | 0 | 1,502 | 1,338 | 12 |
| of which Investment Banking & Capital Markets | 73 | 74 | 70 | (1) | 4 | 227 | 197 | 15 |
| of which Strategic Resolution Unit | 132 | 154 | 162 | (14) | (19) | 457 | 511 | (11) |
| **Total operating expenses** | **279** | **142** | **211** | 96 | 32 | **497** | **555** | (10) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 62,007 | 54,407 | 85,898 | 14 | (28) | 62,007 | 85,898 | (28) |
| Risk-weighted assets [2] | 16,756 | 17,850 | 16,178 | (6) | 4 | 16,756 | 16,178 | 4 |
| Leverage exposure [2] | 59,154 | 51,743 | 82,745 | 14 | (29) | 59,154 | 82,745 | (29) |

[1] We early adopted certain sections of ASU 2016-01 which require that changes in fair value relating to the instrument-specific credit risk of fair value option-elected financial liabilities be presented separately in accumulated other comprehensive income. Therefore, fair value gains or losses from movements in own credit spreads are no longer recorded in the Corporate Center beginning in 1Q16.

[2] Disclosed on a look-through basis.

# Assets under management

As of the end of 3Q16, assets under management were CHF 1,255.2 billion, 3.0% higher compared to the end of 2Q16, primarily due to favorable market movements and net new assets of CHF 11.9 billion.

**Assets under management**

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

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

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

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

**Net new assets**

Net new assets include individual cash payments, delivery of securities and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management.

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

## Assets under management and client assets

| | | | end of | % change |
|---|---|---|---|---|
| | **3Q16** | 2Q16 | 4Q15 | QoQ |
| **Assets under management (CHF billion)** | | | | |
| Swiss Universal Bank – Private Banking | 244.5 | 241.4 | 241.0 | 1.3 |
| Swiss Universal Bank – Corporate & Institutional Banking | 284.6 | 280.9 | 275.8 | 1.3 |
| International Wealth Management – Private Banking | 311.4 | 298.6 | 289.6 | 4.3 |
| International Wealth Management – Asset Management | 324.3 | 314.9 | 321.3 | 3.0 |
| Asia Pacific – Private Banking | 169.0 | 158.3 | 150.4 | 6.8 |
| Strategic Resolution Unit | 17.8 | 19.8 | 27.3 | (10.1) |
| Assets managed across businesses [1] | (96.4) | (95.5) | (91.3) | 0.9 |
| **Assets under management** | **1,255.2** | **1,218.4** | **1,214.1** | **3.0** |
| of which discretionary assets | 411.2 | 398.8 | 410.1 | 3.1 |
| of which advisory assets | 844.0 | 819.6 | 804.0 | 3.0 |
| **Client assets (CHF billion) [2]** | | | | |
| Swiss Universal Bank – Private Banking | 273.5 | 266.1 | 266.2 | 2.8 |
| Swiss Universal Bank – Corporate & Institutional Banking | 379.8 | 376.4 | 377.1 | 0.9 |
| International Wealth Management – Private Banking | 415.7 | 404.5 | 400.0 | 2.8 |
| International Wealth Management – Asset Management | 324.3 | 314.9 | 321.3 | 3.0 |
| Asia Pacific – Private Banking | 196.2 | 180.3 | 169.8 | 8.8 |
| Strategic Resolution Unit | 25.3 | 30.9 | 110.4 | (18.1) |
| Assets managed across businesses [1] | (96.4) | (95.5) | (91.3) | 0.9 |
| **Client Assets [2]** | **1,518.4** | **1,477.6** | **1,553.5** | **2.8** |

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

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

## Growth in assets under management

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Growth in assets under management (CHF billion)** | | | | | |
| **Net new assets** | **11.9** | **12.1** | **16.2** | **34.5** | **44.8** |
| of which Swiss Universal Bank – Private Banking | 0.2 | 0.9 | 3.1 | 1.8 | 6.1 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | (1.2) | 0.7 | 1.9 | 1.8 | 6.4 |
| of which International Wealth Management – Private Banking | 4.4 | 5.4 | 1.7 | 15.2 | 1.2 |
| of which International Wealth Management – Asset Management [1] | 5.0 | 3.5 | 5.6 | 10.0 | 22.9 |
| of which Asia Pacific – Private Banking | 4.6 | 5.0 | 3.7 | 13.9 | 14.8 |
| of which Strategic Resolution Unit | (1.9) | (2.1) | 0.9 | (5.6) | (1.7) |
| of which assets managed across businesses [2] | 0.8 | (1.3) | (0.7) | (2.6) | (4.9) |
| **Other effects** | **24.9** | **25.5** | **(78.0)** | **6.6** | **(127.7)** |
| of which Swiss Universal Bank – Private Banking | 2.9 | 4.4 | (19.6) | 1.7 | (27.6) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 4.9 | 6.6 | (16.6) | 7.0 | (19.2) |
| of which International Wealth Management – Private Banking | 8.4 | 6.2 | (18.5) | 6.6 | (38.4) |
| of which International Wealth Management – Asset Management | 4.4 | 10.1 | (4.1) | (7.0) | (13.5) |
| of which Asia Pacific – Private Banking | 6.1 | 3.7 | (20.5) | 4.7 | (26.2) |
| of which Strategic Resolution Unit | (0.1) | (2.7) | (0.6) | (3.9) | (5.6) |
| of which assets managed across businesses [2] | (1.7) | (2.8) | 1.9 | (2.5) | 2.8 |
| **Growth in assets under management** | **36.8** | **37.6** | **(61.8)** | **41.1** | **(82.9)** |
| of which Swiss Universal Bank – Private Banking | 3.1 | 5.3 | (16.5) | 3.5 | (21.5) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 3.7 | 7.3 | (14.7) | 8.8 | (12.8) |
| of which International Wealth Management – Private Banking | 12.8 | 11.6 | (16.8) | 21.8 | (37.2) |
| of which International Wealth Management – Asset Management [1] | 9.4 | 13.6 | 1.5 | 3.0 | 9.4 |
| of which Asia Pacific – Private Banking | 10.7 | 8.7 | (16.8) | 18.6 | (11.4) |
| of which Strategic Resolution Unit | (2.0) | (4.8) | 0.3 | (9.5) | (7.3) |
| of which assets managed across businesses [2] | (0.9) | (4.1) | 1.2 | (5.1) | (2.1) |
| **Growth in assets under management (annualized) (%)** | | | | | |
| **Net new assets** | **3.8** | **4.1** | **4.8** | **3.8** | **4.3** |
| of which Swiss Universal Bank – Private Banking | 0.3 | 1.5 | 4.9 | 1.0 | 3.1 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | (1.7) | 1.1 | 2.7 | 0.9 | 3.1 |
| of which International Wealth Management – Private Banking | 5.8 | 7.5 | 2.2 | 7.0 | 0.5 |
| of which International Wealth Management – Asset Management [1] | 6.4 | 4.6 | 7.2 | 4.1 | 10.0 |
| of which Asia Pacific – Private Banking | 11.6 | 13.4 | 9.5 | 12.3 | 13.1 |
| of which Strategic Resolution Unit | (38.4) | (34.1) | 2.6 | (27.4) | (1.6) |
| of which assets managed across businesses [2] | (3.4) | 5.7 | 3.0 | 3.8 | 7.3 |
| **Other effects** | **8.3** | **8.6** | **(23.1)** | **0.7** | **(12.4)** |
| of which Swiss Universal Bank – Private Banking | 4.9 | 7.5 | (30.9) | 0.9 | (14.2) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 7.0 | 9.6 | (23.9) | 3.4 | (9.3) |
| of which International Wealth Management – Private Banking | 11.3 | 8.6 | (24.4) | 3.0 | (15.8) |
| of which International Wealth Management – Asset Management | 5.5 | 13.4 | (5.2) | (2.9) | (5.9) |
| of which Asia Pacific – Private Banking | 15.4 | 9.9 | (52.6) | 4.2 | (23.2) |
| of which Strategic Resolution Unit | (2.0) | (43.9) | (1.7) | (19.0) | (5.2) |
| of which assets managed across businesses [2] | 7.2 | 12.2 | (8.2) | 3.6 | (4.2) |
| **Growth in assets under management** | **12.1** | **12.7** | **(18.3)** | **4.5** | **(8.1)** |
| of which Swiss Universal Bank – Private Banking | 5.2 | 9.0 | (26.0) | 1.9 | (11.1) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 5.3 | 10.7 | (21.2) | 4.3 | (6.2) |
| of which International Wealth Management – Private Banking | 17.1 | 16.1 | (22.2) | 10.0 | (15.3) |
| of which International Wealth Management – Asset Management [1] | 11.9 | 18.0 | 2.0 | 1.2 | 4.1 |
| of which Asia Pacific – Private Banking | 27.0 | 23.3 | (43.1) | 16.5 | (10.1) |
| of which Strategic Resolution Unit | (40.4) | (78.0) | 0.9 | (46.4) | (6.8) |
| of which assets managed across businesses [2] | 3.8 | 17.9 | (5.2) | 7.4 | 3.1 |

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

## Growth in assets under management (continued)

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Growth in net new assets (rolling four-quarter average) (%)** | | | | | |
| **Net new assets** | **2.8** | **3.0** | **3.1** | **–** | **–** |
| of which Swiss Universal Bank – Private Banking | (0.5) | 0.7 | 2.4 | – | – |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 2.3 | 3.3 | 3.8 | – | – |
| of which International Wealth Management – Private Banking | 3.8 | 2.7 | 1.0 | – | – |
| of which International Wealth Management – Asset Management [1] | 4.3 | 4.5 | 4.7 | – | – |
| of which Asia Pacific – Private Banking | 12.1 | 10.3 | 11.0 | – | – |
| of which Strategic Resolution Unit | (5.8) | (3.7) | (2.7) | – | – |
| of which assets managed across businesses [2] | 2.1 | 3.6 | 5.1 | – | – |

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

### 3Q16 results

As of the end of 3Q16, assets under management of CHF 1,255.2 billion increased CHF 36.8 billion compared to the end of 2Q16, primarily due to favorable market movements and net new assets of CHF 11.9 billion.

Swiss Universal Bank – Private Banking reported assets under management of CHF 244.5 billion as of the end of 3Q16, an increase of CHF 3.1 billion compared to the end of 2Q16, mainly driven by favorable market movements. Net new assets of CHF 0.2 billion were negatively impacted by terminated relationships with certain external asset managers and the regularization of client assets.

Swiss Universal Bank – Corporate & Institutional Banking reported assets under management of CHF 284.6 billion as of the end of 3Q16, an increase of CHF 3.7 billion compared to the end of 2Q16, driven by favorable market movements, partially offset by net assets outflows of CHF 1.2 billion from a small number of individual cases.

International Wealth Management – Private Banking reported assets under management of CHF 311.4 billion as of the end of 3Q16, an increase of CHF 12.8 billion compared to the end of 2Q16, reflecting favorable market movements and net new assets of CHF 4.4 billion. The net new assets reflected solid inflows from emerging markets and Europe.

International Wealth Management – Asset Management reported assets under management of CHF 324.3 billion as of the end of 3Q16, an increase of CHF 9.4 billion compared to the end of 2Q16, reflecting favorable market movements and net new assets of CHF 5.0 billion. Net new assets reflected inflows from an emerging market joint venture and fixed income products.

Asia Pacific – Private Banking reported assets under management of CHF 169.0 billion as of the end of 3Q16, an increase of CHF 10.7 billion compared to the end of 2Q16, mainly reflecting favorable market movements and net new assets of CHF 4.6 billion. Net new assets reflected inflows primarily from Greater China, South East Asia and Australia.

The Strategic Resolution Unit reported CHF 17.8 billion of assets under management as of the end of 3Q16, a decrease of CHF 2.0 billion compared to the end of 2Q16, primarily reflecting net asset outflows of CHF 1.9 billion due to the wind-down of operations.

▸ Refer to “Swiss Universal Bank”, “International Wealth Management” and “Asia Pacific” in I – Credit Suisse results for further information.

▸ Refer to “Note 38 – Assets under management” in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

II

# Treasury, risk, balance sheet and off-balance sheet


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# Liquidity and funding management

In 3Q16, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

## OVERVIEW

Securities for funding and capital purposes have historically been issued primarily by the Bank, our principal operating subsidiary and a US registrant. In response to regulatory reform, we have started pursuing a dual track issuance strategy with securities offered at the Group level. Proceeds from issuances are lent to operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements and the former as desired by management to support business initiatives and liquidity needs.

Our internal liquidity risk management framework is subject to review and monitoring by FINMA, other regulators and rating agencies.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on liquidity and funding management.

## REGULATORY FRAMEWORK

### Basel III liquidity framework

In 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our interpretation of such requirements, including relevant assumptions and estimates. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown in this report.

The LCR, which is being phased in from January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have unencumbered high-quality liquid assets (HQLA) available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of HQLA in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% per year until January 1, 2019.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's on- and off-balance sheet activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and, once in effect, should always be at least 100%. Following an observation period which began in 2012, the NSFR will become a minimum standard on January 1, 2018, at which time banks will be required to comply with disclosure requirements prescribed by the BCBS and implemented by national regulators.

### Swiss liquidity requirements

In 2012, the Swiss Federal Council adopted a liquidity ordinance (Liquidity Ordinance) that implements Basel III liquidity requirements into Swiss law subject, in part, to further rule-making, including the final Basel III LCR rules adopted in 2014. As a result, all Swiss banks became subject to an initial 60% LCR requirement, with incremental increases by 10% per year until January 1, 2019. Systemically relevant banks like Credit Suisse became subject to an initial minimum LCR requirement of 100% beginning on January 1, 2015. Further, beginning in May 2015, FINMA required us to maintain a minimum LCR of 110% at all times.

Our liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on the Basel III liquidity framework and Swiss liquidity requirements.

## LIQUIDITY RISK MANAGEMENT FRAMEWORK

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we expect to have sufficient liquidity to sustain operations for a period of time in excess of our minimum limit. This includes potential currency mismatches, which are not deemed to be a major risk but are monitored and subject to limits, particularly in the significant currencies of euro, Japanese yen, pound sterling, Swiss franc and US dollar.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on our approach to liquidity risk management, governance and contingency planning.

## LIQUIDITY METRICS

### Liquidity pool

Treasury manages a sizeable portfolio of liquid assets comprised of cash held at central banks and securities. A portion of the liquidity pool is generated through reverse repurchase agreements with top-rated counterparties. We are mindful of potential credit risk and therefore focus our liquidity holdings strategy on cash held at central banks, highly rated government bonds and short-term reverse repurchase agreements. These government bonds are eligible as collateral for liquidity facilities with various central banks including the SNB, the Fed, the ECB and the Bank of England. Our direct exposure on these bonds is limited to highly liquid, top-rated sovereign entities or fully guaranteed agencies of sovereign entities. The liquidity pool may be used to meet the liquidity requirements of our operating companies.

As of the end of 3Q16, our liquidity pool managed by Treasury had a market value of CHF 184.8 billion. The liquidity pool consisted of CHF 90.9 billion of cash held at major central banks, primarily the SNB, the Fed and the ECB, and CHF 93.9 billion market value of securities issued by governments and government agencies, primarily from the US, UK and France.

In addition to the liquidity portfolio managed by Treasury, there is also a portfolio of unencumbered liquid assets managed by various businesses, primarily in the Global Markets and Investment Banking & Capital Markets divisions. These assets generally include high-grade bonds and highly liquid equity securities that form part of major indices. In coordination with the businesses, Treasury can access these assets to generate liquidity if required.

As of the end of 3Q16, the portfolio that is not managed by Treasury had a market value of CHF 28.3 billion, consisting of CHF 3.7 billion of high-grade bonds and CHF 24.6 billion of highly liquid equity securities. Under our internal model, an average stress-level haircut of 20% is applied to these assets. The haircuts applied to these portfolios reflect our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities.

### Liquidity pool – Group

| End of | | | | | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|---|---|---|---|
| | Swiss franc | US dollar | Euro | Other currencies | **Total** | Total | Total |
| **Liquid assets (CHF million)** | | | | | | | |
| Cash held at central banks | 53,777 | 28,458 | 6,099 | 2,521 | 90,855 | 92,713 | 72,475 |
| Securities | 2,899 | 60,734 | 8,616 | 21,696 | 93,945 | 100,704 | 101,561 |
| **Liquid assets** [1] | **56,676** | **89,192** | **14,715** | **24,217** | **184,800** | **193,417** | **174,036** |

[1] Reflects a pre-cancellation view.

### Liquidity Coverage Ratio

Our calculation methodology for the LCR is prescribed by FINMA. The FINMA calculation of HQLA takes into account a cancellation mechanism (post-cancellation view) and is therefore not directly comparable to the assets presented in the financial statements that could potentially be monetized under a severe stress scenario The cancellation mechanism effectively excludes the impact of certain secured financing transactions from available HQLA and simultaneously adjusts the level of net cash outflows calculated. Application of the cancellation mechanism adjusts both the numerator and denominator of the LCR calculation, meaning that the impact is mostly neutral on the LCR itself.

For disclosure purposes our LCR is calculated using a three-month average. As of the end of 3Q16, our LCR average was 163%, representing HQLA of CHF 185.5 billion and net cash outflows of CHF 113.9 billion. The ratio continues to reflect our efforts to ensure that Group entities meet applicable local liquidity requirements.

The decrease in the LCR compared to 2Q16 was driven by the decrease in HQLA, primarily from lower deposits at central banks and holdings of securities issued by governments. Net cash outflows remained stable.

Stable net cash outflows reflected reductions in both total cash outflows and total cash inflows. The reduction in total cash outflows reflected both lower levels of secured and unsecured wholesale funding. The reduction in total cash inflows reflected lower levels of secured lending and reductions in loan inflows from fully performing exposures. Cash outflows from other contractual funding obligations and other cash inflows both decreased significantly, primarily reflecting balances related to open and failed trades. Additionally, the reduction in weighted outflows from credit and liquidity facilities was greater than the unweighted amounts due to a change in the mix of counterparties.

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

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

## Liquidity coverage ratio – Group

| End of | | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|---|
| | Unweighted value [1] | **Weighted value [2]** | Weighted value [2] | Weighted value [2] |
| **High-quality liquid assets (CHF million)** | | | | |
| **High-quality liquid assets [3]** | **–** | **185,484** | **195,343** | **175,306** |
| **Cash outflows (CHF million)** | | | | |
| Retail deposits and deposits from small business customers | 152,371 | 18,984 | 19,011 | 19,362 |
| Unsecured wholesale funding | 200,116 | 78,433 | 81,391 | 86,619 |
| Secured wholesale funding | – | 66,565 | 70,464 | 86,778 |
| Additional requirements | 203,996 | 44,886 | 48,627 | 60,988 |
| Other contractual funding obligations | 56,676 | 56,676 | 68,484 | 49,946 |
| Other contingent funding obligations | 273,588 | 5,889 | 3,653 | 3,313 |
| **Total cash outflows** | **–** | **271,433** | **291,630** | **307,006** |
| **Cash inflows (CHF million)** | | | | |
| Secured lending | 115,798 | 71,343 | 76,838 | 95,418 |
| Inflows from fully performing exposures | 52,982 | 28,696 | 30,827 | 31,104 |
| Other cash inflows | 57,526 | 57,526 | 70,642 | 52,011 |
| **Total cash inflows** | **–** | **157,565** | **178,307** | **178,533** |
| **Liquidity coverage ratio** | | | | |
| High-quality liquid assets (CHF million) | | 185,484 | 195,343 | 175,306 |
| Net cash outflows (CHF million) | | 113,868 | 113,323 | 128,473 |
| **Liquidity coverage ratio (%)** | | **163** | **172** | **136** |

Calculated using a three-month average.
[1] Calculated as outstanding balances maturing or callable within 30 days.
[2] Calculated after the application of haircuts for high-quality liquid assets or inflow and outflow rates.
[3] Consists of cash and eligible securities as prescribed by FINMA and reflects a post-cancellation view.

### FUNDING SOURCES AND USES

We fund our balance sheet primarily through core customer deposits, long-term debt, including structured notes, and shareholders' equity. We monitor the funding sources, including their concentrations against certain limits, according to their counterparty, currency, tenor, geography and maturity, and whether they are secured or unsecured.

A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

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

Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 11% as of the end of 3Q16, compared to 13% as of the end of 2Q16, primarily reflecting a small decrease in deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as the haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

Our core customer deposits totaled CHF 304 billion as of the end of 3Q16, compared to CHF 306 billion as of the end of 2Q16, reflecting a small decrease in the customer deposit base in private banking and corporate & institutional banking businesses. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proven to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

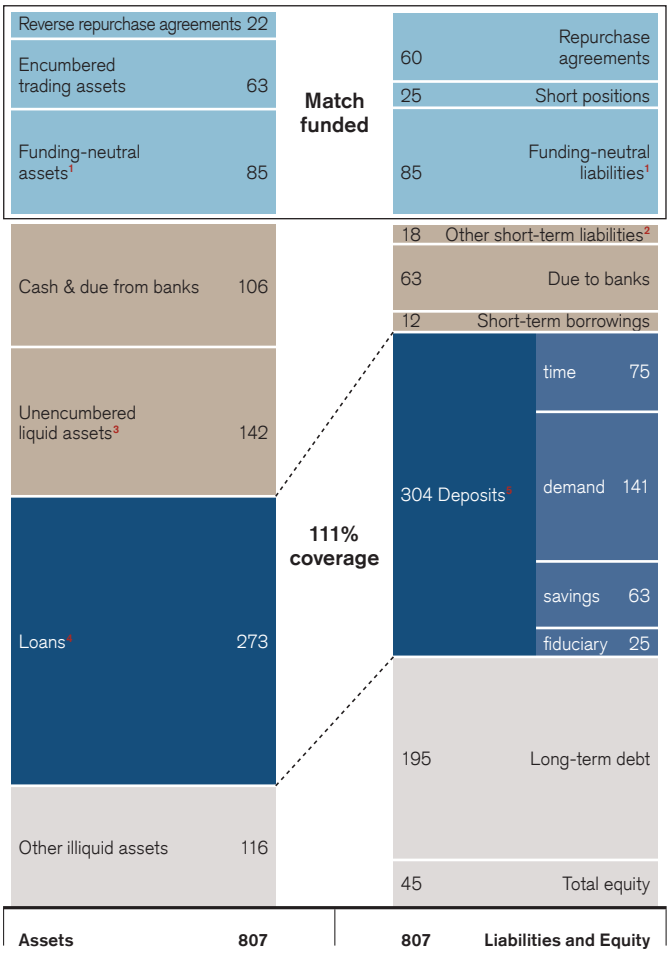
▸ Refer to the chart "Balance sheet funding structure" and "Balance sheet" in Balance sheet, off-balance sheet and other contractual obligations for further information.

### DEBT ISSUANCES AND REDEMPTIONS

Our long-term debt includes senior, senior bail-in and subordinated debt issued in US-registered offerings and medium-term note programs, euro market medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds.

## Balance sheet funding structure

as of September 30, 2016 (CHF billion)




[1] Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.
[2] Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.
[3] Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.
[4] Excludes loans with banks.
[5] Excludes due to banks and certificates of deposit.

As of the end of 3Q16, we had outstanding long-term debt of CHF 195.5 billion, which included senior and subordinated instruments. We had CHF 61.7 billion and CHF 19.2 billion of structured notes and covered bonds outstanding, respectively, as of the end of 3Q16 compared to CHF 60.4 billion and CHF 18.7 billion, respectively, as of the end of 2Q16.

▸ Refer to "Capital issuances and redemptions" in Capital management for information on capital issuances, including buffer and progressive capital notes.

As of the end of 3Q16, the weighted average maturity of long-term debt was 5.5 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity, or in 2030 for instruments without a stated final maturity).

Short-term borrowings increased to CHF 11.6 billion as of the end of 3Q16 compared to CHF 11.2 billion as of the end of 2Q16.

The following table provides information on long-term debt issuances, maturities and redemptions in 3Q16, excluding structured notes.

## Debt issuances and redemptions

| in 3Q16 | Senior | Senior bail-in | Subordinated | **Long-term debt** |
|---|---|---|---|---|
| **Long-term debt (CHF billion, notional value)** | | | | |
| **Issuances** | **1.4** | 0.6 | 0 | **2.0** |
| of which unsecured | 0.4 | 0.6 | 0 | 1.0 |
| of which secured [1] | 1.0 | 0 | 0 | 1.0 |
| **Maturities / Redemptions** | **5.4** | 0 | **2.1** | **7.5** |
| of which unsecured | 5.0 | 0 | 2.1 | 7.1 |
| of which secured [1] | 0.4 | 0 | 0.0 | 0.4 |

Excludes structured notes.
[1] Includes covered bonds.

## CREDIT RATINGS

The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 0.7 billion, CHF 2.6 billion and CHF 3.1 billion, respectively, as of the end of 3Q16, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller.

Potential cash outflows on these derivative contracts associated with a downgrade of our long-term debt credit ratings, such as the requirement to post additional collateral to the counterparty, the loss of re-hypothecation rights on any collateral received and impacts arising from additional termination events are monitored and taken into account in the calculation of our liquidity requirements. There are additional derivative related risks that do not relate to the downgrade of our long term debt credit ratings and which may impact our liquidity position, including risks relating to holdings of derivatives collateral or potential movements in the valuation of derivatives positions. The potential outflows resulting across all derivative product types are monitored as part of the LCR scenario parameters and internal liquidity reporting.

▸ Refer to "Credit ratings" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information.

# Capital management

As of the end of 3Q16, our BIS CET1 ratio was 14.1% and 12.0% on a look-through basis. Our BIS tier 1 leverage ratio was 5.2% and 4.6% on a look-through basis.

## REGULATORY CAPITAL FRAMEWORK

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

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

▸ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information.

## BIS REQUIREMENTS

The BCBS, the standard setting committee within the BIS, issued the Basel III framework, with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector and requires banks to hold more capital, mainly in the form of common equity. The new capital standards are being phased in from 2013 through 2018 and are fully effective January 1, 2019 for those countries that have adopted Basel III.

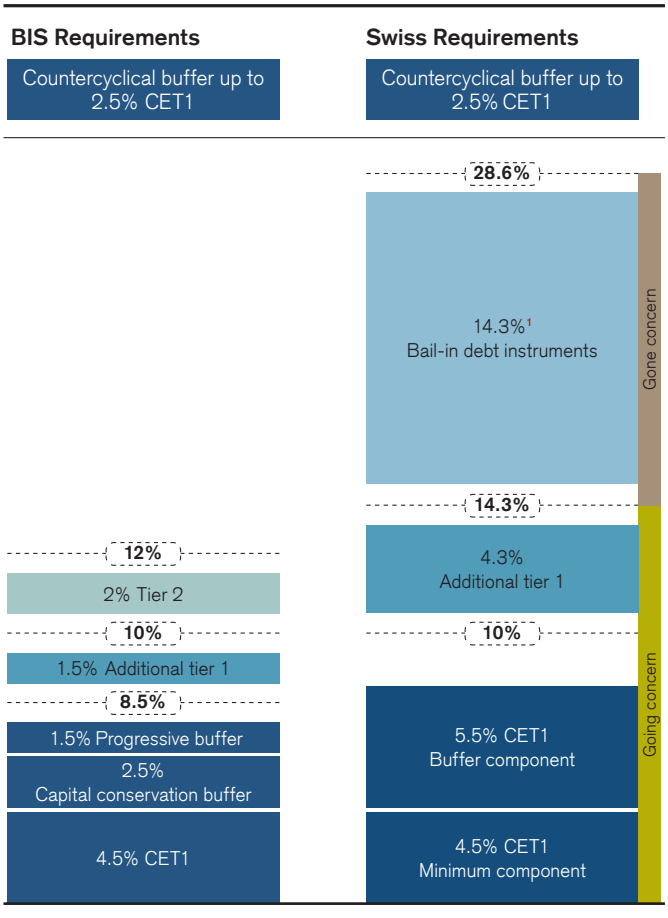
▸ Refer to the table "Basel III phase-in requirements for Credit Suisse" for capital requirements and applicable effective dates during the phase-in period.

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

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

In addition to the CET1 requirements, there is also a requirement for 1.5% additional tier 1 capital and 2% tier 2 capital. These requirements may also be met with CET1 capital.

### Basel III capital frameworks for Credit Suisse




[1] Does not include any rebates for resolvability and for certain tier 2 low-trigger instruments recognized in gone concern capital.

## BIS phase-in requirements for Credit Suisse

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

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

To qualify as additional tier 1 under Basel III, capital instruments must provide for principal loss absorption through a conversion into common equity or a write-down of principal feature. The trigger for such conversion or write-down must include a CET1 ratio of at least 5.125% as well as a trigger at the point of non-viability.

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

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

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

## SWISS REQUIREMENTS

The legislation implementing the Basel III framework in Switzerland in respect of capital requirements for systemically relevant banks, including Credit Suisse, goes beyond the Basel III minimum standards for systemically relevant banks.

In May 2016, the Swiss Federal Council amended the Capital Adequacy Ordinance applicable to Swiss banks. The amendment recalibrates and expands the existing "Too Big to Fail" regime in Switzerland. Under the amended regime, systemically important banks operating internationally, such as Credit Suisse, will be subject to two different minimum requirements for loss-absorbing capacity: G-SIBs must hold sufficient capital that absorbs current operating losses to ensure continuity of service (going concern requirement) and they must issue sufficient debt instruments to fund restructuring without recourse to public resources (gone concern requirement). Going concern capital and gone concern capital together form our total loss-absorbing capacity (TLAC). The going concern and the gone concern requirements are generally aligned with the FSB's total loss-absorbing capacity standard. The amended Capital Adequacy Ordinance came into effect on July 1, 2016, subject to phase-in and grandfathering provisions for certain outstanding instruments, and has to be fully applied by January 1, 2020.

### Going concern requirement

The going concern requirement applicable in 2020 for a G-SIB consists of (i) a base requirement of 12.86% of RWA and 4.5% of leverage exposure; and (ii) a surcharge, which reflects the G-SIB's systemic importance. For Credit Suisse, this currently translates into a going concern requirement of 14.3% of RWA, of which the minimum CET1 component is 10%, with the remainder to be met with a maximum of 4.3% additional tier 1 capital, which includes high-trigger capital instruments that would be converted into common equity or written down if the CET1 ratio falls below 7%. Under the going concern requirement, the Swiss leverage ratio must be 5%, of which the minimum CET1 component is 3.5%, with the remainder to be met with a maximum of 1.5% additional tier 1 capital, which includes high-trigger capital instruments.

### Gone concern requirement

The gone concern requirement of a G-SIB is equal to its total going concern requirement, that is in 2020, a base requirement of 12.86% of RWA and 4.5% of leverage exposure, plus any surcharges applicable to the relevant G-SIB, but not including any countercyclical buffers. Credit Suisse is currently subject to a gone concern requirement of 14.3% of RWA and a 5% Swiss leverage ratio and is subject to potential capital rebates for resolvability and for certain tier 2 low-trigger instruments recognized in gone concern capital.

The gone concern requirement should primarily be fulfilled with bail-in debt instruments that are designed to absorb losses after the write down or conversion into equity of regulatory capital of a G-SIB in a restructuring scenario, but before the write down or conversion into equity of other senior obligations of the G-SIB. Bail-in debt instruments do not feature capital triggers that may lead to a write-down and/or a conversion into equity outside of restructuring, but only begin to bear losses once the G-SIB is formally in restructuring proceedings and FINMA orders capital measures (i.e., a write-down and/or a conversion into equity) in the restructuring plan.

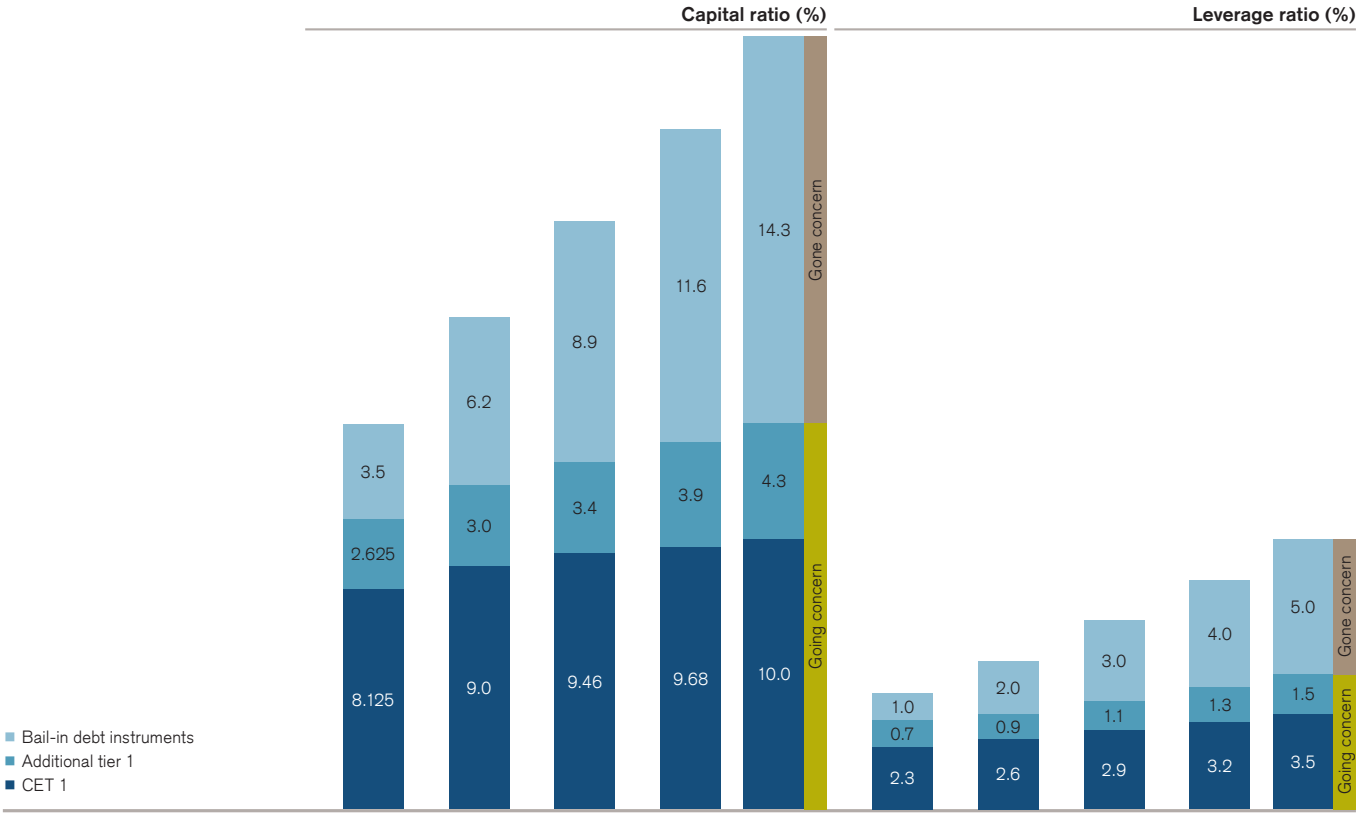
According to the amended Capital Adequacy Ordinance, bail-in debt instruments must fulfill certain criteria in order to qualify under the gone concern requirement, including FINMA approval. In addition to bail-in debt instruments, the gone concern requirement may further be fulfilled with other capital instruments, including CET1, additional tier 1 capital instruments or tier 2 capital instruments.

### Grandfathering provisions

The Capital Adequacy Ordinance provides for a number of grandfathering provisions with regard to the qualification of previously issued additional tier 1 capital instruments and tier 2 capital instruments:

- Additional tier 1 capital instruments with a low trigger qualify as going concern capital until their first call date. Additional tier 1 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify as gone concern capital;

## Swiss capital and leverage phase-in requirements for Credit Suisse




| For | **2016** | 2017 | 2018 | 2019 | 2020 | **2016** | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Capital components (%)** | | | | | | | | | | |
| CET1 – minimum | 6.175 | 5.8 | 5.4 | 4.9 | 4.5 | 2.3 | 2.1 | 1.9 | 1.7 | 1.5 |
| Additional tier 1 – maximum | 1.825 | 2.2 | 2.6 | 3.1 | 3.5 | 0.7 | 0.9 | 1.1 | 1.3 | 1.5 |
| **Minimum component** | **8.0** | **8.0** | **8.0** | **8.0** | **8.0** | **3.0** | **3.0** | **3.0** | **3.0** | **3.0** |
| CET1 – minimum | 1.95 | 3.2 | 4.06 | 4.78 | 5.5 | 0.0 | 0.5 | 1.0 | 1.5 | 2.0 |
| Additional tier 1 – maximum | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Buffer component** | **2.75** | **4.0** | **4.86** | **5.58** | **6.3** | **0.0** | **0.5** | **1.0** | **1.5** | **2.0** |
| **Going concern** | **10.75** | **12.0** | **12.86** | **13.58** | **14.3** | **3.0** | **3.5** | **4.0** | **4.5** | **5.0** |
| of which base requirement | 10.75 | 12.0 | 12.86 | 12.86 | 12.86 | 3.0 | 3.5 | 4.0 | 4.5 | 4.5 |
| of which surcharge | 0.0 | 0.0 | 0.0 | 0.72 | 1.44 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 |
| **Gone concern** | **3.5** | **6.2** | **8.9** | **11.6** | **14.3** | **1.0** | **2.0** | **3.0** | **4.0** | **5.0** |
| of which base requirement | 3.5 | 5.84 | 8.18 | 10.52 | 12.86 | 1.0 | 1.875 | 2.75 | 3.625 | 4.5 |
| of which surcharge | 0.0 | 0.36 | 0.72 | 1.08 | 1.44 | 0.0 | 0.125 | 0.25 | 0.375 | 0.5 |
| **Total loss-absorbing capacity** | **14.25** | **18.2** | **21.76** | **25.18** | **28.6** | **4.0** | **5.5** | **7.0** | **8.5** | **10.0** |

Does not include the effects of the countercyclical buffers and any rebates for resolvability and for certain tier 2 low-trigger instruments recognized in gone concern capital. As of the end of 3Q16, the Swiss countercyclical buffer for the Group and the Bank was CHF 398 million and CHF 324 million, respectively, which is equivalent to 0.1% and 0.1% of CET1 capital. As of the end of 3Q16, the required extended countercyclical buffer for the Group and the Bank were insignificant.

- Tier 2 capital instruments with a high trigger qualify as going concern capital until the earlier of (i) their maturity date or first call date; and (ii) December 31, 2019. Tier 2 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify as gone concern capital until one year before their final maturity; and
- Tier 2 capital instruments with a low trigger also qualify as going concern capital until the earlier of (i) their maturity date or first call date; and (ii) December 31, 2019. Tier 2 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify as gone concern capital until one year before their final maturity.

Furthermore, to be eligible as gone concern capital, outstanding bail-in debt instruments issued before July 1, 2016 and bail-in debt instruments to be issued by a (Swiss or foreign) special purpose vehicle before January 1, 2017 must be approved by FINMA.

Both the going concern and the gone concern requirements are subject to a phase-in with gradually increasing requirements and have to be fully applied by January 1, 2020.

**Other requirements**

Effective July 1, 2016, Switzerland implemented an extended countercyclical buffer, which is based on the BIS countercyclical buffer that could require banks to hold up to 2.5% of RWA in the form of CET1 capital. The extended countercyclical buffer relates to a requirement that can be imposed by national regulators when credit growth is deemed to be excessive and leading to the build-up of system-wide risk.

The Swiss Federal Council has not activated the BIS countercyclical buffer for Switzerland but instead requires banks to hold CET1 capital in the amount of 2% of their RWA pertaining to mortgage loans that finance residential property in Switzerland (Swiss countercyclical buffer).

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

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

▸ Refer to "Regulatory developments and proposals" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2015 for further information on the FINMA Decree.

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

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period. In 3Q16, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

▸ Refer to "Market risk review" in Risk management for further information.

▸ Refer to "Risk measurement models" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Regulatory capital framework in the Credit Suisse Annual Report 2015 for further information.

## REGULATORY DEVELOPMENTS AND PROPOSALS

In July 2016, the BCBS published an updated standard for the regulatory capital treatment of securitization exposures, which will become effective in January 2018. The new standard includes the regulatory capital treatment for "simple, transparent and comparable" (STC) securitizations. It sets forth additional criteria for differentiating the capital treatment of STC securitizations from that of other securitization transactions. Reduced minimum capital requirements will apply to securitizations that comply with the STC criteria.

In October 2016, the BCBS published an amendment to the Basel III standard on the definition of capital, which becomes effective January 1, 2019. The new standard requires internationally active banks to deduct from their tier 2 capital TLAC holdings issued by other G-SIBs that do not otherwise qualify as regulatory capital, subject to certain thresholds.

## ISSUANCES AND REDEMPTIONS

In August 2016, Credit Suisse issued GBP 500 million of bail-in debt instruments. In August 2016, Credit Suisse redeemed USD 2.0 billion of 7.875% high-trigger tier 2 instruments.

### Higher Trigger Capital Amount

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

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5.125%, the Higher Trigger Capital Amount was CHF 6.5 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all RWA of the Group) was 2.4%, both as of the end of 3Q16.

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5%, the Higher Trigger Capital Amount was CHF 11.6 billion and the Higher Trigger Capital Ratio was 4.2%, both as of the end of 3Q16.

▸ Refer to the table "BIS capital metrics – Group" for further information on the BIS statistics used to calculate such measures.

▸ Refer to "Higher Trigger Capital Amount" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Capital issuances and redemptions in the Credit Suisse Annual Report 2015 for further information on the Higher Trigger Capital Amount.

## BIS capital metrics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **3Q16** | 2Q16 | 4Q15 | % change QoQ | **3Q16** | 2Q16 | 4Q15 | % change QoQ |
| **Capital and risk-weighted assets (CHF million)** | | | | | | | | |
| CET1 capital | 38,646 | 38,933 | 42,072 | (1) | 32,362 | 32,048 | 32,938 | 1 |
| Tier 1 capital | 50,001 | 49,780 | 53,063 | 0 | 43,263 | 43,005 | 44,601 | 1 |
| Total eligible capital | 57,044 | 58,850 | 62,682 | (3) | 48,205 | 49,921 | 51,425 | (3) |
| Risk-weighted assets | 273,779 | 275,056 | 294,950 | 0 | 270,462 | 271,455 | 289,946 | 0 |
| **Capital ratios (%)** | | | | | | | | |
| CET1 ratio | 14.1 | 14.2 | 14.3 | – | 12.0 | 11.8 | 11.4 | – |
| Tier 1 ratio | 18.3 | 18.1 | 18.0 | – | 16.0 | 15.8 | 15.4 | – |
| Total capital ratio | 20.8 | 21.4 | 21.3 | – | 17.8 | 18.4 | 17.7 | – |

## BIS CAPITAL METRICS

Our CET1 ratio was 14.1% as of the end of 3Q16 compared to 14.2% as of the end of 2Q16, reflecting slightly lower CET1 capital and stable RWA. Our tier 1 ratio was 18.3% as of the end of 3Q16 compared to 18.1% as of the end of 2Q16. Our total capital ratio was 20.8% as of the end of 3Q16 compared to 21.4% as of the end of 2Q16.

CET1 capital was CHF 38.6 billion as of the end of 3Q16 compared to CHF 38.9 billion as of the end of 2Q16, mainly reflecting the cash component of a dividend accrual and the negative foreign exchange impact, partially offset by the net effect of share-based compensation.

Additional tier 1 capital increased to CHF 11.4 billion as of the end of 3Q16 compared to CHF 10.8 billion as of the end of 2Q16, mainly reflecting the regulatory reversal of net losses due to changes in own credit risk on fair-valued financial instruments.

Tier 2 capital was CHF 7.0 billion as of the end of 3Q16 compared to CHF 9.1 billion as of the end of 2Q16, mainly reflecting the redemption of the high-trigger tier 2 instruments.

Total eligible capital was CHF 57.0 billion as of the end of 3Q16 compared to CHF 58.9 billion as of the end of 2Q16, mainly reflecting the decrease in tier 2 capital.

As of the end of 3Q16, the look-through CET1 ratio was 12.0% compared to 11.8% as of the end of 2Q16. As of the end of 3Q16, the look-through total capital ratio was 17.8% compared to 18.4% as of the end of 2Q16.

## Eligible capital – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | **3Q16** | 2Q16 | 4Q15 | % change QoQ | **3Q16** | 2Q16 | 4Q15 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | | | |
| **Total shareholders' equity** | **44,276** | **44,962** | **44,382** | (2) | **44,276** | **44,962** | **44,382** | (2) |
| Regulatory adjustments [1] | (481) | (223) | (459) | 116 | (481) | (223) | (459) | 116 |
| **Adjustments subject to phase-in** | | | | | | | | |
| Accounting treatment of defined benefit pension plans | 1,334 | 1,362 | 2,132 | (2) | – | – | – | – |
| Common share capital issued by subsidiaries and held by third parties | 79 | 73 | 89 | 8 | – | – | – | – |
| Goodwill [2] | (2,806) | (2,819) | (1,906) | 0 | (4,678) | (4,699) | (4,765) | 0 |
| Other intangible assets [2] | (37) | (39) | (28) | (5) | (62) | (65) | (71) | (5) |
| Deferred tax assets that rely on future profitability | (2,586) | (2,359) | (1,262) | 10 | (4,310) | (3,931) | (3,155) | 10 |
| Shortfall of provisions to expected losses | (289) | (310) | (234) | (7) | (481) | (517) | (584) | (7) |
| Gains/(losses) due to changes in own credit on fair-valued liabilities | (464) | (1,225) | (185) | (62) | (773) | (2,042) | (463) | (62) |
| Defined benefit pension assets [2] | (340) | (336) | (244) | 1 | (568) | (559) | (611) | 2 |
| Investments in own shares | (10) | (22) | (8) | (55) | (16) | (37) | (21) | (57) |
| Other adjustments [3] | (30) | (54) | (2) | (44) | (49) | (92) | (5) | (47) |
| Deferred tax assets from temporary differences (threshold-based) | 0 | (77) | (203) | 100 | (496) | (749) | (1,310) | (34) |
| **Adjustments subject to phase-in** | **(5,149)** [4] | **(5,806)** | **(1,851)** | (11) | **(11,433)** | **(12,691)** | **(10,985)** | (10) |
| **CET1 capital** | **38,646** | **38,933** | **42,072** | (1) | **32,362** | **32,048** | **32,938** | 1 |
| High-trigger capital instruments (7% trigger) | 5,793 | 5,768 | 6,562 | 0 | 5,793 | 5,768 | 6,562 | 0 |
| Low-trigger capital instruments (5.125% trigger) | 5,108 | 5,189 | 5,101 | (2) | 5,108 | 5,189 | 5,101 | (2) |
| **Additional tier 1 instruments** | **10,901** | **10,957** | **11,663** | (1) | **10,901** | **10,957** | **11,663** | (1) |
| Additional tier 1 instruments subject to phase-out [5] | 2,703 | 2,672 | 2,616 | 1 | – | – | – | – |
| Deductions from additional tier 1 capital | (2,249) [6] | (2,782) | (3,288) | (19) | – | – | – | – |
| **Additional tier 1 capital** | **11,355** | **10,847** | **10,991** | 5 | **10,901** | **10,957** | **11,663** | (1) |
| **Tier 1 capital** | **50,001** | **49,780** | **53,063** | 0 | **43,263** | **43,005** | **44,601** | 1 |
| High-trigger capital instruments (7% trigger) | 699 | 2,649 | 2,682 | (74) | 699 | 2,649 | 2,682 | (74) |
| Low-trigger capital instruments (5% trigger) | 4,243 | 4,267 | 4,142 | (1) | 4,243 | 4,267 | 4,142 | (1) |
| **Tier 2 instruments** | **4,942** | **6,916** | **6,824** | (29) | **4,942** | **6,916** | **6,824** | (29) |
| Tier 2 instruments subject to phase-out | 2,197 | 2,257 | 2,970 | (3) | – | – | – | – |
| Deductions from tier 2 capital | (96) | (103) | (175) | (7) | – | – | – | – |
| **Tier 2 capital** | **7,043** | **9,070** | **9,619** | (22) | **4,942** | **6,916** | **6,824** | (29) |
| **Total eligible capital** | **57,044** | **58,850** | **62,682** | (3) | **48,205** | **49,921** | **51,425** | (3) |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Net of deferred tax liability.
[3] Includes cash flow hedge reserve.
[4] Reflects 60% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 40% of an adjustment primarily for the accounting treatment of pension plans pursuant to phase-in requirements.
[5] Includes hybrid capital instruments that are subject to phase-out.
[6] Includes 40% of goodwill and other intangible assets (CHF 1.9 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.

## Capital movement – Group

| 3Q16 | Phase-in | Look-through |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **38,933** | **32,048** |
| Net income attributable to shareholders | 41 | 41 |
| Foreign exchange impact | (173) [1] | (146) |
| Other | (155) [2] | 419 |
| **Balance at end of period** | **38,646** | **32,362** |
| **Additional tier 1 capital (CHF million)** | | |
| **Balance at beginning of period** | **10,847** | **10,957** |
| Foreign exchange impact | (41) | (38) |
| Other | 549 [3] | (18) |
| **Balance at end of period** | **11,355** | **10,901** |
| **Tier 2 capital (CHF million)** | | |
| **Balance at beginning of period** | **9,070** | **6,916** |
| Foreign exchange impact | (20) | (4) |
| Redemptions | (1,946) | (1,946) |
| Other | (61) | (24) |
| **Balance at end of period** | **7,043** | **4,942** |
| **Eligible capital (CHF million)** | | |
| **Balance at end of period** | **57,044** | **48,205** |

[1] Includes US GAAP cumulative translation adjustments and the foreign exchange impact on regulatory CET1 adjustments.
[2] Includes the impact of a dividend accrual, which includes the assumption that 60% of the proposed dividend is distributed in shares, the net effect of share-based compensation and pensions and a change in other regulatory adjustments (e.g., certain deferred tax assets).
[3] Includes the regulatory reversal of net losses due to changes in own credit risk on fair-valued financial instruments.

### RISK-WEIGHTED ASSETS

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

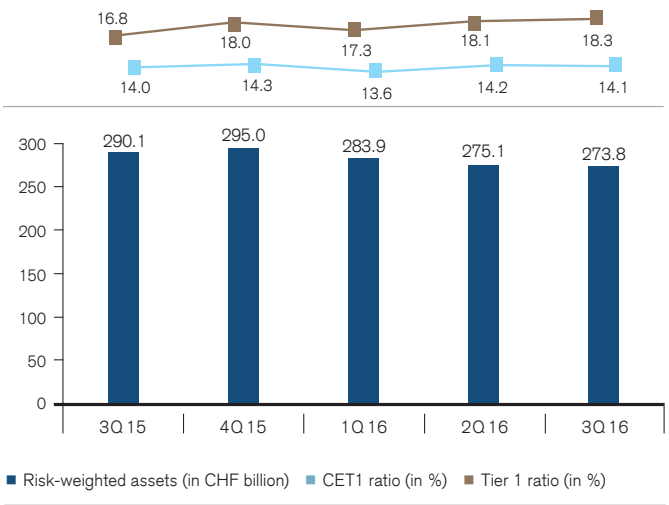
RWA remained stable at CHF 273.8 billion as of the end of 3Q16 compared to the end of 2Q16, primarily driven by a reduction in risk levels in credit risk and market risk and the foreign exchange impact. These movements were mostly offset by increases resulting from methodology and policy changes in credit risk and market risk.

Excluding the foreign exchange impact, the decrease in **credit risk** was primarily driven by movements in risk levels attributable to book size, partially offset by increases related to external methodology and policy changes. The decrease in risk levels attributable to book size was mainly due to reductions in commercial lending exposures in the Strategic Resolution Unit, Asia Pacific and Corporate Center, decreases in derivative exposures in the Strategic Resolution Unit, Asia Pacific and International Wealth Management, reductions in advanced CVA resulting from decreased exposures and an increased benefit from hedges in the Strategic Resolution Unit and decreases in secured financing exposures in Global Markets and Corporate Center. These decreases were partially offset by increases in commercial lending exposures in Global Markets, Investment Banking & Capital Markets and Swiss Universal Bank. External methodology and policy changes were related to a phase-in impact from a new FINMA requirement to treat share-backed lending without personal guarantees as corporate exposures. There was also the multiplier on income producing real estate in Swiss Universal Bank and an additional phase-in of the multiplier on certain investment banking corporate exposures across the Group.

## Risk-weighted assets – Group

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Group |
|---|---|---|---|---|---|---|---|---|
| **3Q16 (CHF million)** | | | | | | | | |
| Credit risk | 52,702 | 20,470 | 18,258 | 28,073 | 15,350 | 29,793 | 15,484 | **180,130** |
| Market risk | 574 | 431 | 8,154 | 9,330 | 123 | 4,236 | 202 | **23,050** |
| Operational risk | 11,937 | 12,289 | 5,783 | 13,679 | 2,546 | 19,000 | 0 | **65,234** |
| Non-counterparty risk | 358 | 267 | 69 | 45 | 0 | 239 | 4,387 | **5,365** |
| **Risk-weighted assets – phase-in** | **65,571** | **33,457** | **32,264** | **51,127** | **18,019** | **53,268** | **20,073** | **273,779** |
| Look-through adjustment | – | – | – | – | – | – | (3,317) | **(3,317)** |
| **Risk-weighted assets – look-through** | **65,571** | **33,457** | **32,264** | **51,127** | **18,019** | **53,268** | **16,756** | **270,462** |
| **4Q15 (CHF million)** | | | | | | | | |
| Credit risk | 47,989 | 18,653 | 15,214 | 33,955 | 12,856 | 45,739 | 18,792 | **193,198** |
| Market risk | 801 | 858 | 4,744 | 15,986 | 112 | 7,129 | 169 | **29,799** |
| Operational risk | 11,240 | 13,115 | 6,812 | 12,839 | 3,182 | 19,250 | 0 | **66,438** |
| Non-counterparty risk | 322 | 254 | 65 | 58 | 0 | 306 | 4,510 | **5,515** |
| **Risk-weighted assets – phase-in** | **60,352** | **32,880** | **26,835** | **62,838** | **16,150** | **72,424** | **23,471** | **294,950** |
| Look-through adjustment | – | – | – | – | – | – | (5,004) | **(5,004)** |
| **Risk-weighted assets – look-through** | **60,352** | **32,880** | **26,835** | **62,838** | **16,150** | **72,424** | **18,467** | **289,946** |

## Risk-weighted assets and capital ratios – Group




Excluding the foreign exchange impact, the increase in **market risk** was primarily driven by internal methodology and policy changes and model and parameter updates. The increase was partially offset by decreases in risk levels. The increase in internal methodology and policy changes was mainly due to a refinement in our RNIV model relating to bond reference spreads. Increases in model and parameter updates were primarily due to market data volatility in Global Markets and the Strategic Resolution Unit, partially offset by decreases in Asia Pacific. The movement in risk levels was primarily related to a reduction in market risk levels in Global Markets and International Wealth Management. This decrease was partially offset by an increase in market risk levels in Asia Pacific. Movements in risk levels was also impacted by an increase in trading book securitization exposures in Global Markets.

The decrease in **operational risk** was driven by internal methodology and policy changes in Global Markets relating to the removal of the FINMA imposed cap on the benefit from the insurance policy purchased in 2Q16. FINMA approved the policy as part of the AMA capital model. There was also a refinement in the allocation between Global Markets and Asia Pacific to reflect the new organizational structure.

## Risk-weighted asset movement by risk type – Group

| 3Q16 (CHF million) | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Total |
|---|---|---|---|---|---|---|---|---|
| **Credit risk** | | | | | | | | |
| **Balance at beginning of period** | **51,595** | **20,386** | **18,838** | **27,282** | **13,864** | **33,591** | **16,848** | **182,404** |
| Foreign exchange impact | (120) | (44) | (47) | (99) | (88) | (157) | (47) | (602) |
| Movements in risk levels | 672 | 21 | (1,005) | 1,001 | 1,265 | (3,446) | (1,333) | (2,825) |
| of which credit risk – book size [1] | 553 | 166 | (805) | 919 | 1,126 | (3,516) | (1,300) | (2,857) |
| of which credit risk – book quality [2] | 119 | (145) | (200) | 82 | 139 | 70 | (33) | 32 |
| Model and parameter updates [3] | (38) | (41) | (69) | (180) | (12) | (55) | 10 | (385) |
| Methodology and policy changes – internal [4] | 26 | 8 | (57) | (135) | 75 | 55 | (5) | (33) |
| Methodology and policy changes – external [5] | 567 | 140 | 598 | 204 | 246 | (195) | 11 | 1,571 |
| **Balance at end of period – phase-in** | **52,702** | **20,470** | **18,258** | **28,073** | **15,350** | **29,793** | **15,484** | **180,130** |
| **Market risk** | | | | | | | | |
| **Balance at beginning of period** | **680** | **687** | **7,954** | **8,463** | **103** | **3,617** | **151** | **21,655** |
| Foreign exchange impact | (2) | (1) | (3) | (20) | 0 | (8) | 0 | (34) |
| Movements in risk levels | (176) | (293) | 423 | (521) | 18 | 8 | 52 | (489) |
| Model and parameter updates [3] | 66 | 33 | (335) | 657 | 2 | 260 | 0 | 683 |
| Methodology and policy changes – internal [4] | 6 | 5 | 115 | 751 | 0 | 359 | (1) | 1,235 |
| **Balance at end of period – phase-in** | **574** | **431** | **8,154** | **9,330** | **123** | **4,236** | **202** | **23,050** |
| **Operational risk** | | | | | | | | |
| **Balance at beginning of period** | **11,937** | **12,289** | **4,783** | **14,954** | **2,546** | **19,000** | **0** | **65,509** |
| Methodology and policy changes – internal [4] | 0 | 0 | 1,000 | (1,275) | 0 | 0 | 0 | (275) |
| **Balance at end of period – phase-in** | **11,937** | **12,289** | **5,783** | **13,679** | **2,546** | **19,000** | **0** | **65,234** |
| **Non-counterparty risk** | | | | | | | | |
| **Balance at beginning of period** | **392** | **251** | **69** | **51** | **0** | **273** | **4,452** | **5,488** |
| Movements in risk levels | (34) | 16 | 0 | (6) | 0 | (34) | (65) | (123) |
| **Balance at end of period – phase-in** | **358** | **267** | **69** | **45** | **0** | **239** | **4,387** | **5,365** |
| **Total** | | | | | | | | |
| **Balance at beginning of period** | **64,604** | **33,613** | **31,644** | **50,750** | **16,513** | **56,481** | **21,451** | **275,056** |
| Foreign exchange impact | (122) | (45) | (50) | (119) | (88) | (165) | (47) | (636) |
| Movements in risk levels | 462 | (256) | (582) | 474 | 1,283 | (3,472) | (1,346) | (3,437) |
| Model and parameter updates [3] | 28 | (8) | (404) | 477 | (10) | 205 | 10 | 298 |
| Methodology and policy changes – internal [4] | 32 | 13 | 1,058 | (659) | 75 | 414 | (6) | 927 |
| Methodology and policy changes – external [5] | 567 | 140 | 598 | 204 | 246 | (195) | 11 | 1,571 |
| **Balance at end of period – phase-in** | **65,571** | **33,457** | **32,264** | **51,127** | **18,019** | **53,268** | **20,073** | **273,779** |
| Look-through adjustment [6] | – | – | – | – | – | – | (3,317) | (3,317) |
| **Balance at end of period – look-through** | **65,571** | **33,457** | **32,264** | **51,127** | **18,019** | **53,268** | **16,756** | **270,462** |

[1] Represents changes in portfolio size.
[2] Represents changes in average risk weighting across credit risk classes.
[3] Represents movements arising from updates to models and recalibrations of parameters.
[4] Represents internal changes impacting how exposures are treated.
[5] Represents externally prescribed regulatory changes impacting how exposures are treated.
[6] The look-through adjustment impacts only credit risk within the Corporate Center. The difference between phase-in and look-through risk-weighted assets relates to transitional arrangements such as the impact from pension assets and deferred tax assets not deducted from CET1 during the phase-in period and the transitional impact from threshold-related risk-weighted assets.

## LEVERAGE METRICS

Beginning in 1Q15, Credit Suisse adopted the BIS leverage ratio framework, as issued by the BCBS and implemented in Switzerland by FINMA. Under the BIS framework, the leverage ratio measures tier 1 capital against the end of period exposure. BIS leverage amounts are calculated based on our interpretation of, and assumptions and estimates related to, the BIS requirements as implemented in Switzerland by FINMA. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown here.

As used herein, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments.

The look-through leverage exposure was CHF 948.7 billion as of the end of 3Q16 compared to CHF 966.5 billion as of the end of 2Q16. The movement was primarily due to a reduction in the Group's consolidated balance sheet, reflecting lower operating activities and the foreign exchange translation impact.

▸ Refer to "Balance sheet and off-balance sheet" for further information on the reduction in the Group's consolidated balance sheet.

### Look-through leverage exposure – Group

| end of | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|
| **Look-through leverage exposure (CHF million)** | | | |
| Swiss Universal Bank | 246,254 | 245,108 | 238,180 |
| International Wealth Management | 88,899 | 95,442 | 101,628 |
| Asia Pacific | 108,495 | 107,595 | 98,632 |
| Global Markets | 286,694 | 279,099 | 276,656 |
| Investment Banking & Capital Markets | 44,240 | 43,756 | 40,898 |
| Strategic Resolution Unit | 115,008 | 143,805 | 168,544 |
| Corporate Center | 59,154 | 51,743 | 63,090 |
| **Leverage exposure** | **948,744** | **966,548** | **987,628** |

### BIS leverage ratios – Group

The tier 1 leverage ratio was 5.2% as of the end of 3Q16, with a CET1 component of 4.0%. On a look-through basis, the tier 1 leverage ratio was 4.6%, with a CET1 component of 3.4%.

The CET1 leverage ratio was stable compared to the end of 2Q16, reflecting the slight decrease in CET1 capital, partially offset by lower leverage exposure.

The tier 1 leverage ratio increased compared to the end of 2Q16, reflecting stable tier 1 capital and lower leverage exposure.

### Leverage exposure components – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | 3Q16 | 2Q16 | 4Q15 | % change QoQ | 3Q16 | 2Q16 | 4Q15 | % change QoQ |
| **Leverage exposure (CHF million)** | | | | | | | | |
| **Balance sheet assets** | **806,711** | **821,164** | **820,805** | (2) | **806,711** | **821,164** | **820,805** | (2) |
| **Adjustments** | | | | | | | | |
| Difference in scope of consolidation and tier 1 capital deductions [1] | (9,151) | (11,067) | (10,553) | (17) | (15,387) | (15,276) | (16,431) | 1 |
| Derivative financial instruments | 91,059 | 95,582 | 104,353 | (5) | 91,059 | 95,582 | 104,353 | (5) |
| Securities financing transactions | (17,632) | (15,710) | (16,214) | 12 | (17,632) | (15,710) | (16,214) | 12 |
| Off-balance sheet exposures | 83,993 | 80,788 | 95,115 | 4 | 83,993 | 80,788 | 95,115 | 4 |
| **Total adjustments** | **148,269** | **149,593** | **172,701** | (1) | **142,033** | **145,384** | **166,823** | (2) |
| **Leverage exposure** | **954,980** | **970,757** | **993,506** | (2) | **948,744** | **966,548** | **987,628** | (2) |

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

### BIS leverage metrics – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | 3Q16 | 2Q16 | 4Q15 | % change QoQ | 3Q16 | 2Q16 | 4Q15 | % change QoQ |
| **Capital and leverage exposure (CHF million)** | | | | | | | | |
| CET1 capital | 38,646 | 38,933 | 42,072 | (1) | 32,362 | 32,048 | 32,938 | 1 |
| Tier 1 capital | 50,001 | 49,780 | 53,063 | 0 | 43,263 | 43,005 | 44,601 | 1 |
| Leverage exposure | 954,980 | 970,757 | 993,506 | (2) | 948,744 | 966,548 | 987,628 | (2) |
| **Leverage ratios (%)** | | | | | | | | |
| CET1 leverage ratio | 4.0 | 4.0 | 4.2 | – | 3.4 | 3.3 | 3.3 | – |
| Tier 1 leverage ratio | 5.2 | 5.1 | 5.3 | – | 4.6 | 4.4 | 4.5 | – |

## SWISS CAPITAL AND LEVERAGE METRICS

### Swiss capital metrics

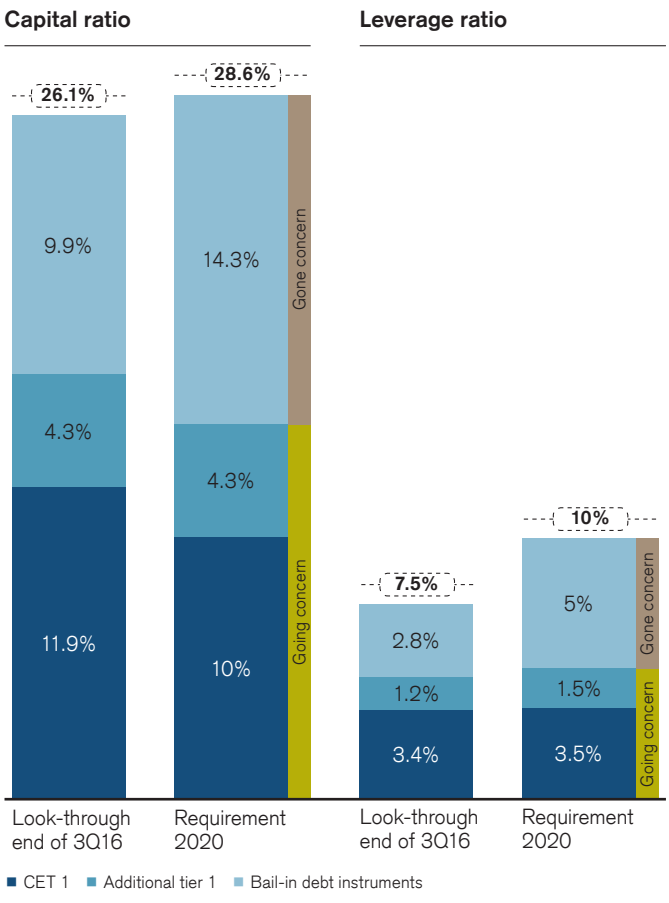
▸ Refer to "Swiss Requirements" in Regulatory capital framework for further information on Swiss regulatory requirements.

As of the end of 3Q16, our Swiss CET1, going concern capital, gone concern capital and TLAC ratios were 14.0%, 19.8%, 9.7% and 29.5%, respectively, compared to the Swiss phase-in requirements of 8.125%, 10.75%, 3.5% and 14.25%, respectively.

On a look-through basis, as of the end of 3Q16, our Swiss CET1 capital was CHF 32.2 billion and our Swiss CET1 ratio was 11.9% compared to the requirement of 10.0%. Our going concern capital was CHF 43.8 billion and our going concern capital ratio was 16.2%, compared to the requirement of 14.3%. Our gone concern capital was CHF 26.9 billion and our gone concern capital ratio was 9.9%, compared to the requirement of 14.3%. Our total loss-absorbing capacity was CHF 70.7 billion and our TLAC ratio was 26.1%, compared to the requirement of 28.6%.

▸ Refer to "Capital management" in II – Treasury, risk, balance sheet and off-balance sheet in the Credit Suisse Financial Report 2Q16 for previously reported periods.

### Swiss capital and leverage ratios for Credit Suisse




Rounding differences may occur. Does not include the effects of the countercyclical buffers and any rebates for resolvability and for certain tier 2 low-trigger instruments recognized in gone concern capital.

### Swiss capital metrics – Group

| | Phase-in | Look-through |
|---|---|---|
| end of | 3Q16 | 3Q16 |
| **Swiss capital and risk-weighted assets (CHF million)** | | |
| Swiss CET1 capital | 38,498 | 32,199 |
| Going concern capital | 54,341 | 43,799 |
| Gone concern capital | 26,541 | 26,915 |
| Total loss-absorbing capacity | 80,882 | 70,714 |
| Swiss risk-weighted assets | 274,513 | 271,159 |
| **Swiss capital ratios (%)** | | |
| Swiss CET1 ratio | 14.0 | 11.9 |
| Going concern capital ratio | 19.8 | 16.2 |
| Gone concern capital ratio | 9.7 | 9.9 |
| TLAC ratio | 29.5 | 26.1 |

## Swiss capital and risk-weighted assets – Group

| | Phase-in | Look-through |
|---|---|---|
| end of | 3Q16 | 3Q16 |
| **Swiss capital (CHF million)** | | |
| CET1 capital – BIS | 38,646 | 32,362 |
| Swiss regulatory adjustments [1] | (148) | (163) |
| **Swiss CET1 capital** | **38,498** | **32,199** |
| Additional tier 1 high-trigger capital instruments | 5,793 | 5,793 |
| Grandfathered capital instruments | 10,050 | 5,807 |
| of which additional tier 1 low-trigger capital instruments | 5,108 | 5,108 |
| of which tier 2 high-trigger capital instruments | 699 | 699 |
| of which tier 2 low-trigger capital instruments | 4,243 | – |
| **Swiss additional tier 1 capital** | **15,843** | **11,600** |
| **Going concern capital** | **54,341** | **43,799** |
| Bail-in debt instruments | 22,672 | 22,672 |
| Additional tier 1 instruments subject to phase-out | 2,703 | – |
| Tier 2 instruments subject to phase-out | 2,197 | – |
| Tier 2 amortization component | 1,314 | – |
| Tier 2 low-trigger capital instruments | – | 4,243 |
| Deductions | (2,345) | – |
| **Gone concern capital** | **26,541** | **26,915** |
| **Total loss-absorbing capacity** | **80,882** | **70,714** |
| **Risk-weighted assets (CHF million)** | | |
| Risk-weighted assets – BIS | 273,779 | 270,462 |
| Swiss regulatory adjustments [2] | 734 | 697 |
| **Swiss risk-weighted assets** | **274,513** | **271,159** |

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Primarily includes differences in the credit risk multiplier.

## Swiss leverage metrics – Group

| | Phase-in | Look-through |
|---|---|---|
| end of | 3Q16 | 3Q16 |
| **Swiss capital and leverage exposure (CHF million)** | | |
| Swiss CET1 capital | 38,498 | 32,199 |
| Going concern capital | 54,341 | 43,799 |
| Gone concern capital | 26,541 | 26,915 |
| Total loss-absorbing capacity | 80,882 | 70,714 |
| Leverage exposure | 954,980 | 948,744 |
| **Swiss leverage ratios (%)** | | |
| Swiss CET1 leverage ratio | 4.0 | 3.4 |
| Going concern leverage ratio | 5.7 | 4.6 |
| Gone concern leverage ratio | 2.8 | 2.8 |
| TLAC leverage ratio | 8.5 | 7.5 |

Rounding differences may occur.

### Swiss leverage metrics

The leverage exposure used in the Swiss leverage ratio is measured on the same period-end basis as the leverage exposure for the BIS leverage ratio.

As of the end of 3Q16, our Swiss CET1 leverage, going concern leverage, gone concern leverage and TLAC leverage ratios were 4.0%, 5.7%, 2.8% and 8.5%, respectively, compared to the Swiss phase-in requirements of 2.3%, 3.0%, 1.0% and 4.0%, respectively.

On a look-through basis, as of the end of 3Q16, our Swiss CET1 leverage ratio was 3.4% compared to the requirement of 3.5%, our going concern leverage ratio was 4.6%, compared to the requirement of 5.0%, our gone concern leverage ratio was 2.8%, compared to the requirement of 5.0% and our TLAC leverage ratio was 7.5% compared to the requirement of 10.0%.

## BANK REGULATORY DISCLOSURES

The following capital, RWA and leverage disclosures apply to the Bank. The business of the Bank is substantially the same as that of the Group, including business drivers and trends relating to capital, RWA and leverage metrics.

### BIS capital and leverage metrics – Bank

▸ Refer to "BIS capital metrics", "Risk-weighted assets" and "Leverage metrics" for further information.

## BIS capital metrics – Bank

| | | | | Phase-in |
|---|---|---|---|---|
| end of | **3Q16** | 2Q16 | 4Q15 | % change QoQ |
| **Capital and risk-weighted assets (CHF million)** | | | | |
| CET1 capital | 36,713 | 37,164 | 40,013 | (1) |
| Tier 1 capital | 47,444 | 47,497 | 50,570 | 0 |
| Total eligible capital | 54,543 | 56,619 | 60,242 | (4) |
| Risk-weighted assets | 266,168 | 267,502 | 286,947 | 0 |
| **Capital ratios (%)** | | | | |
| CET1 ratio | 13.8 | 13.9 | 13.9 | – |
| Tier 1 ratio | 17.8 | 17.8 | 17.6 | – |
| Total capital ratio | 20.5 | 21.2 | 21.0 | – |

## Eligible capital and risk-weighted assets – Bank

| | | | | Phase-in |
|---|---|---|---|---|
| end of | **3Q16** | 2Q16 | 4Q15 | % change QoQ |
| **Eligible capital (CHF million)** | | | | |
| **Total shareholder's equity** | **43,172** | **43,997** | **43,406** | (2) |
| Regulatory adjustments [1] | (495) | (313) | (5) | 58 |
| Adjustments subject to phase-in | (5,964) [2] | (6,520) | (3,388) | (9) |
| **CET1 capital** | **36,713** | **37,164** | **40,013** | (1) |
| Additional tier 1 instruments | 10,024 [3] | 10,098 | 10,805 | (1) |
| Additional tier 1 instruments subject to phase-out [4] | 2,703 | 2,672 | 2,616 | 1 |
| Deductions from additional tier 1 capital | (1,996) [5] | (2,437) | (2,864) | (18) |
| **Additional tier 1 capital** | **10,731** | **10,333** | **10,557** | 4 |
| **Tier 1 capital** | **47,444** | **47,497** | **50,570** | 0 |
| Tier 2 instruments | 4,991 [6] | 6,962 | 6,865 | (28) |
| Tier 2 instruments subject to phase-out | 2,197 | 2,257 | 2,970 | (3) |
| Deductions from tier 2 capital | (89) | (97) | (163) | (8) |
| **Tier 2 capital** | **7,099** | **9,122** | **9,672** | (22) |
| **Total eligible capital** | **54,543** | **56,619** | **60,242** | (4) |
| **Risk-weighted assets by risk type (CHF million)** | | | | |
| Credit risk | 172,878 | 175,221 | 185,574 | (1) |
| Market risk | 22,999 | 21,602 | 29,755 | 6 |
| Operational risk | 65,234 | 65,509 | 66,438 | 0 |
| Non-counterparty risk | 5,057 | 5,170 | 5,180 | (2) |
| **Risk-weighted assets** | **266,168** | **267,502** | **286,947** | 0 |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Primarily reflects 60% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets.
[3] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 5.9 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.2 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
[4] Includes hybrid capital instruments that are subject to phase-out.
[5] Includes 40% of goodwill and other intangible assets (CHF 1.6 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
[6] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 0.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.2 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## Leverage exposure components – Bank

| end of | 3Q16 | 2Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Leverage exposure (CHF million)** | | | | |
| **Balance sheet assets** | **789,158** | **804,003** | **803,931** | (2) |
| **Adjustments** | | | | |
| Difference in scope of consolidation and tier 1 capital deductions [1] | (11,476) | (12,877) | (13,059) | (11) |
| Derivative financial instruments | 91,370 | 95,821 | 104,604 | (5) |
| Securities financing transactions | (17,633) | (15,712) | (16,215) | 12 |
| Off-balance sheet exposures | 83,208 | 79,918 | 94,312 | 4 |
| **Total adjustments** | **145,469** | **147,150** | **169,642** | (1) |
| **Leverage exposure** | **934,627** | **951,153** | **973,573** | (2) |

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

## BIS leverage metrics – Bank

| end of | 3Q16 | 2Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Capital and leverage exposure (CHF million)** | | | | |
| CET1 capital | 36,713 | 37,164 | 40,013 | (1) |
| Tier 1 capital | 47,444 | 47,497 | 50,570 | 0 |
| Leverage exposure | 934,627 | 951,153 | 973,573 | (2) |
| **Leverage ratios (%)** | | | | |
| CET1 leverage ratio | 3.9 | 3.9 | 4.1 | – |
| Tier 1 leverage ratio | 5.1 | 5.0 | 5.2 | – |

### Swiss capital and leverage metrics – Bank

▸ Refer to "Swiss capital and leverage metrics" for further information.

## Swiss capital metrics – Bank

| end of | Phase-in 3Q16 |
|---|---|
| **Swiss capital and risk-weighted assets (CHF million)** | |
| Swiss CET1 capital | 36,585 |
| Going concern capital | 51,600 |
| Gone concern capital | 26,800 |
| Total loss-absorbing capacity | 78,400 |
| Swiss risk-weighted assets | 266,869 |
| **Swiss capital ratios (%)** | |
| Swiss CET1 ratio | 13.7 |
| Going concern capital ratio | 19.3 |
| Gone concern capital ratio | 10.0 |
| TLAC ratio | 29.4 |

## Swiss capital and risk-weighted assets – Bank

| | Phase-in |
|---|---|
| end of | 3Q16 |
| **Swiss capital (CHF million)** | |
| CET1 capital – BIS | 36,713 |
| Swiss regulatory adjustments [1] | (128) |
| **Swiss CET1 capital** | **36,585** |
| Additional tier 1 high-trigger capital instruments | 5,873 |
| Grandfathered capital instruments | 9,142 |
| of which additional tier 1 low-trigger capital instruments | 4,151 |
| of which tier 2 high-trigger capital instruments | 748 |
| of which tier 2 low-trigger capital instruments | 4,243 |
| **Swiss additional tier 1 capital** | **15,015** |
| **Going concern capital** | **51,600** |
| Bail-in debt instruments | 22,672 |
| Additional tier 1 instruments subject to phase-out | 2,703 |
| Tier 2 instruments subject to phase-out | 2,197 |
| Tier 2 amortization component | 1,314 |
| Deductions | (2,086) |
| **Gone concern capital** | **26,800** |
| **Total loss-absorbing capacity** | **78,400** |
| **Risk-weighted assets (CHF million)** | |
| Risk-weighted assets – BIS | 266,168 |
| Swiss regulatory adjustments [2] | 701 |
| **Swiss risk-weighted assets** | **266,869** |

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Primarily includes differences in the credit risk multiplier.

## Swiss leverage metrics – Bank

| | Phase-in |
|---|---|
| end of | 3Q16 |
| **Swiss capital and leverage exposure (CHF million)** | |
| Swiss CET1 capital | 36,585 |
| Going concern capital | 51,600 |
| Gone concern capital | 26,800 |
| Total loss-absorbing capacity | 78,400 |
| Leverage exposure | 934,627 |
| **Swiss leverage ratios (%)** | |
| Swiss CET1 leverage ratio | 3.9 |
| Going concern leverage ratio | 5.5 |
| Gone concern leverage ratio | 2.9 |
| TLAC leverage ratio | 8.4 |

## OTHER REGULATORY DISCLOSURES

In connection with the implementation of Basel III, certain regulatory disclosures for the Group, the Bank, the Bank parent company and Credit Suisse International are required. Additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base of the Group, G-SIB financial indicators, subsidiary regulatory reporting, reconciliation requirements, Pillar 3 disclosures, leverage ratios and certain liquidity disclosures can be found on our website.

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

## SHAREHOLDERS' EQUITY AND SHARE METRICS

### Total shareholders' equity

Our total shareholders' equity decreased to CHF 44.3 billion as of the end of 3Q16 compared to CHF 45.0 billion as of the end of 2Q16. Total shareholders' equity was negatively impacted by losses on fair value elected liabilities relating to credit risk and foreign exchange-related movements on cumulative translation adjustments. These movements were partially offset by an increase in the share-based compensation obligation.

▸ Refer to the "Consolidated statements of changes in equity (unaudited)" in III – Condensed consolidated financial statements – unaudited for further information on shareholders' equity.

## Shareholders' equity and share metrics

| | | | | % change |
|---|---|---|---|---|
| end of | **3Q16** | 2Q16 | 4Q15 | QoQ |
| **Shareholders' equity (CHF million)** | | | | |
| Common shares | 84 | 84 | 78 | 0 |
| Additional paid-in capital | 31,925 | 31,702 | 31,925 | 1 |
| Retained earnings | 28,573 | 28,532 | 29,139 | 0 |
| Treasury shares, at cost | (18) | (94) | (125) | (81) |
| Accumulated other comprehensive loss | (16,288) | (15,262) | (16,635) | 7 |
| **Total shareholders' equity** | **44,276** | **44,962** | **44,382** | (2) |
| Goodwill | (4,725) | (4,745) | (4,808) | 0 |
| Other intangible assets | (192) | (191) | (196) | 1 |
| **Tangible shareholders' equity** [1] | **39,359** | **40,026** | **39,378** | (2) |
| **Shares outstanding (million)** | | | | |
| Common shares issued | 2,089.9 | 2,089.9 | 1,957.4 | 0 |
| Treasury shares | (1.6) | (8.5) | (5.9) | (81) |
| **Shares outstanding** | **2,088.3** | **2,081.4** | **1,951.5** | 0 |
| **Par value (CHF)** | | | | |
| **Par value** | **0.04** | **0.04** | **0.04** | 0 |
| **Book value per share (CHF)** | | | | |
| **Total book value per share** | **21.20** | **21.60** | **22.74** | (2) |
| Goodwill per share | (2.26) | (2.28) | (2.46) | (1) |
| Other intangible assets per share | (0.09) | (0.09) | (0.10) | 0 |
| **Tangible book value per share** [1] | **18.85** | **19.23** | **20.18** | (2) |

[1] Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

# Risk management

In 3Q16, our available economic capital decreased 4%, economic risk capital decreased 1%, overall position risk decreased 2% and average risk management VaR in US dollars decreased 18%. Gross impaired loans were stable at CHF 2.3 billion on a gross loan portfolio of CHF 275.6 billion.

## OVERVIEW AND RISK-RELATED DEVELOPMENTS

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Our risk management framework is based on transparency, management accountability and independent oversight.

▸ Refer to "Key risk developments", "Risk management oversight", "Risk appetite framework" and "Risk coverage and management" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2015 for further information and additional details of our current risk management framework and activities, including definitions of certain terms and relevant metrics.

### US presidential election

The US will elect a new president on November 8, 2016, and the outcome of the election may result in increased market uncertainty relating to the policies that the president elect may implement in the future. We have developed a suite of stress scenarios to simulate the potential immediate market reaction to the election. That suite of stress scenarios has been run on a weekly basis in October with the outputs monitored with the aim of keeping exposures within our risk appetite.

### Ship finance

Prices in all main shipping segments (bulker, tanker and container) remained under pressure during 2016 due to the combination of a slow-down in global trade and overcapacity in the world fleet, which had built up in the past during periods of high demand. This imbalance between supply and demand resulted in lower revenues for the shipping industry and declining market values for vessels. These market developments increased the risks for our ship finance portfolio. The majority of the positions continue to perform, and we strengthened our credit risk monitoring process in response to the current market situation.

## ECONOMIC RISK CAPITAL REVIEW

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.

Economic risk capital measures risks in terms of economic realities rather than regulatory or accounting rules and estimates the amount of capital needed to remain solvent and in business under extreme market, business and operating conditions over the period of one year, given our target financial strength (our long-term credit rating). Economic risk capital is set to a level needed to absorb unexpected losses at a confidence level of 99.97%. Our economic risk capital model is a set of methodologies used for measuring quantifiable risks associated with our business activities on a consistent basis. It is calculated separately for position risk (reflecting our exposure to market and credit risks), operational risk and other risks.

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In the event of methodology changes and dataset and model parameter updates, prior-period balances are restated in order to show meaningful trends.

▸ Refer to "Economic risk capital" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on economic risk capital and position risk.

In 3Q16, there were no changes to our position risk methodology for risk management purposes or our economic risk capital methodology used for capital management purposes.

### Available economic capital trends

As of the end of 3Q16, our available economic capital for the Group was CHF 47.2 billion, a decrease of CHF 1.9 billion from the end of 2Q16. BIS look-through CET1 capital increased CHF 0.3 billion, mainly reflecting the net effect of share-based compensation, unrealized gains from fair value of own debt and net income attributable to shareholders, partially offset by the cash component of a dividend accrual and a negative foreign exchange impact. Economic adjustments decreased CHF 2.2 billion, mainly reflecting the redemption of high-trigger tier 2 instruments.

## Economic risk capital

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 4Q15 | QoQ | Ytd |
| **Available economic capital (CHF million)** | | | | | |
| BIS look-through CET1 capital (Basel III) | 32,362 | 32,048 | 32,938 | 1 | (2) |
| Economic adjustments [1] | 14,833 | 17,023 | 17,284 | (13) | (14) |
| **Available economic capital** | **47,195** | **49,071** | **50,222** | (4) | (6) |
| **Economic risk capital (CHF million)** | | | | | |
| Position risk (99.97% confidence level) | 19,857 | 20,314 | 22,375 | (2) | (11) |
| Operational risk | 7,383 | 7,405 | 7,501 | 0 | (2) |
| Other risks [2] | 6,857 | 6,566 | 6,031 | 4 | 14 |
| **Economic risk capital** | **34,097** | **34,285** | **35,907** | (1) | (5) |
| **Economic risk capital coverage ratio (%) [3]** | | | | | |
| **Economic risk capital coverage ratio** | **138** | **143** | **140** | – | – |
| **Economic risk capital by division (CHF million)** | | | | | |
| Swiss Universal Bank | 5,737 | 5,561 | 5,233 | 3 | 10 |
| International Wealth Management | 4,135 | 3,780 | 3,469 | 9 | 19 |
| Asia Pacific | 4,403 | 4,238 | 3,684 | 4 | 20 |
| Global Markets | 8,766 | 9,857 | 11,733 | (11) | (25) |
| Investment Banking & Capital Markets | 4,944 | 4,579 | 4,068 | 8 | 22 |
| Strategic Resolution Unit | 4,886 | 5,243 | 7,084 | (7) | (31) |
| Corporate Center [4] | 1,226 | 1,122 | 764 | 9 | 60 |
| **Economic risk capital – Group [5]** | **34,097** | **34,285** | **35,907** | (1) | (5) |
| **Average economic risk capital by division (CHF million)** | | | | | |
| Swiss Universal Bank | 5,649 | 5,530 | 5,123 | 2 | 10 |
| International Wealth Management | 3,958 | 3,751 | 3,364 | 6 | 18 |
| Asia Pacific | 4,320 | 4,073 | 3,582 | 6 | 21 |
| Global Markets | 9,311 | 9,924 | 12,314 | (6) | (24) |
| Investment Banking & Capital Markets | 4,762 | 4,567 | 4,032 | 4 | 18 |
| Strategic Resolution Unit | 5,065 | 5,671 | 6,723 | (11) | (25) |
| Corporate Center [4] | 1,174 | 1,159 | 750 | 1 | 57 |
| **Average economic risk capital – Group [6]** | **34,191** | **34,517** | **35,762** | (1) | (4) |

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends. The calculation of divisional economic risk capital under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

[1] Includes primarily high- and low-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to BIS look-through CET1 capital to enable comparison between economic risk capital and available economic capital under the Basel III framework.

[2] Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between available economic capital and economic risk capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain planned methodology changes.

[3] Ratio of available economic capital to economic risk capital.

[4] Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between available economic capital and economic risk capital.

[5] Includes a diversification benefit of CHF 0 million, CHF 95 million and CHF 128 million as of the end of 3Q16, 2Q16 and 4Q15, respectively.

[6] Includes a diversification benefit of CHF 48 million, CHF 158 million and CHF 126 million as of the end of 3Q16, 2Q16 and 4Q15, respectively.

### Economic risk capital trends

Compared to the end of 2Q16, our economic risk capital decreased 1% to CHF 34.1 billion mainly due to a 2% decrease in position risk, partially offset by 4% increase in other risks. The decrease in position risk was mainly due to reduced exposures in Brazil in emerging markets country event risk, lower loan commitments and counterparty risk in international lending & counterparty exposures and decreased residential mortgage-backed securities (RMBS) exposures in the US in real estate & structured assets. These reductions were partially offset by an increase in private banking corporate & retail lending exposures. The increase in other risks primarily reflects increased foreign exchange risk between available economic capital and economic risk capital and reduced benefit from deferred share-based compensation awards, partially offset by lower pension risks reflecting the improved funding status of our US pension plan and risk reduction in the related plan assets.

For Swiss Universal Bank, economic risk capital increased 3% to CHF 5.7 billion from the end of 2Q16, mainly due to increased private banking corporate & retail lending exposures.

For International Wealth Management, economic risk capital increased 9% to CHF 4.1 billion from the end of 2Q16, mainly due to increased private banking corporate & retail lending and increased risk not in economic risk capital.

For Asia Pacific, economic risk capital increased 4% to CHF 4.4 billion from the end of 2Q16, mainly due to increased

private banking corporate & retail lending exposures, increased emerging markets country event risk, higher traded equity risk and reduced benefit from deferred share-based compensation awards, partially offset by lower international lending & counterparty exposures.

For Global Markets, economic risk capital decreased 11% to CHF 8.8 billion from the end of 2Q16, primarily reflecting lower emerging market country event risk, reduced international lending & counterparty exposures, decreased RMBS exposures in the US in real estate & structured assets and lower pension risk the improved funding status of our US pension plan and risk reduction in the related plan assets, partially offset by reduced benefit from deferred share-based compensation awards.

For Investment Banking & Capital Markets, economic risk capital increased 8% to CHF 4.9 billion from the end of 2Q16, mainly due increased international lending & counterparty exposures and reduced benefit from deferred share-based compensation awards, partially offset by lower pension risk the improved funding status of our US pension plan and risk reduction in the related plan assets.

For the Strategic Resolution Unit, economic risk capital decreased 7% to CHF 4.9 billion from the end of 2Q16, mainly due to lower international lending & counterparty exposures and decreased RMBS exposures in the US in real estate & structured assets, partially offset by increased emerging market country event risk.

## Position risk

| | | | end of | % change | |
|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 4Q15 | QoQ | Ytd |
| **Position risk (CHF million)** | | | | | |
| Fixed income trading [1] | 1,178 | 1,364 | 1,230 | (14) | (4) |
| Equity trading & investments | 1,620 | 1,538 | 1,872 | 5 | (13) |
| Private banking corporate & retail lending | 2,930 | 2,481 | 2,751 | 18 | 7 |
| International lending & counterparty exposures | 5,618 | 5,818 | 6,094 | (3) | (8) |
| Emerging markets country event risk | 1,195 | 1,525 | 1,544 | (22) | (23) |
| Real estate & structured assets [2] | 1,033 | 1,225 | 1,917 | (16) | (46) |
| **Simple sum across risk categories** | **13,574** | **13,951** | **15,408** | (3) | (12) |
| Diversification benefit [3] | (2,450) | (2,583) | (2,762) | (5) | (11) |
| **Position risk (99% confidence level for risk management purposes)** | **11,124** | **11,368** | **12,646** | (2) | (12) |
| **Position risk (99.97% confidence level for capital management purposes)** | **19,857** | **20,314** | **22,375** | (2) | (11) |

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends.

[1] This category comprises fixed income trading, foreign exchange, commodity and insurance exposures.

[2] This category comprises commercial and residential real estate (including RMBS and CMBS), asset-backed securities exposure, real estate acquired at auction and real estate fund investments.

[3] Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

### Key position risk trends

Compared to the end of 2Q16, position risk for risk management purposes decreased 2% to CHF 11.1 billion, mainly due to reduced exposures in Brazil in emerging markets country event risk, lower loan commitments and counterparty risk in international lending & counterparty risk, decreased RMBS exposures in the US in real estate & structured assets, and lower foreign exchange risk from derivatives in Brazil in fixed income trading. These reductions were partially offset by increased private banking corporate & retail lending exposures across markets and higher equity risk from derivatives in the US in equity trading & investments.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

## MARKET RISK REVIEW

Market risk is the risk of financial loss arising from movements in market prices. Market risks arise from both our trading and non-trading business activities. The classification of assets into trading book and banking book portfolios determines the approach for analyzing our market risk exposure. Market risk in the trading book is measured using VaR and market risk in our banking book is measured using sensitivity analysis on related market factors.

▸ Refer to "Market risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on market risk including our VaR methodology.

### Trading book

Market risks from our trading book relate to our trading activities primarily in Global Markets, Asia Pacific and the Strategic Resolution Unit. We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products. Some of the structured products are

customized transactions using combinations of derivatives and are executed to meet specific client or proprietary needs. As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

VaR is a risk measure which quantifies the potential loss on a given portfolio of financial instruments over a certain holding period that is expected to occur at a certain confidence level. VaR is an important tool in risk management and is used for measuring quantifiable risks from our activities exposed to market risk on a daily basis. In addition, VaR is one of the main risk measures for limit monitoring, financial reporting, calculation of regulatory capital and regulatory backtesting.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 3Q16, we enhanced the methodology we use to capture the credit spread risk in semi-sovereign positions in emerging markets countries by using more granular time series. Furthermore, we improved our VaR methodology in order to capture certain higher order risks in the price-yield-relationships for vanilla credit products. These higher order risks were previously included in risk not in VaR. The cumulative impact of these updates on our VaR measures was immaterial and prior periods have not been restated.

We continue to receive regulatory approval for ongoing enhancements to our VaR methodology used for the calculation of regulatory capital, and the model is subject to regular reviews by regulators.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at *www.credit-suisse.com/pillar3*.

The tables entitled "Average one-day, 98% risk management VaR by division" and "One-day, 98% risk management VaR" show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR in Swiss francs and US dollars. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The different risk types are grouped into five categories including interest rate, credit spread, foreign exchange, commodities and equity.

## Average one-day, 98% risk management VaR by division

| in | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Strategic Resolution Unit | Diversification benefit [1] | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **Average risk management VaR (CHF million)** | | | | | | | |
| 3Q16 | 3 | 2 | 18 | 21 | 8 | (25) | 27 |
| 2Q16 | 4 | 1 | 16 | 28 | 15 | (31) | 33 |
| 4Q15 | 6 | 1 | 18 | 45 | 29 | (48) | 51 |
| **Average risk management VaR (USD million)** | | | | | | | |
| 3Q16 | 3 | 2 | 19 | 22 | 8 | (26) | 28 |
| 2Q16 | 4 | 1 | 17 | 28 | 15 | (31) | 34 |
| 4Q15 | 6 | 1 | 18 | 46 | 29 | (49) | 51 |

Excludes risks associated with counterparty and own credit exposures. Investment Banking & Capital Markets has only banking book positions. The calculation of divisional average risk management VaR under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

[1] Difference between the sum of the standalone VaR for each division and the VaR for the Group.

## One-day, 98% risk management VaR

| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversification benefit | Total |
|---|---|---|---|---|---|---|---|
| **Risk management VaR (CHF million)** | | | | | | | |
| **3Q16** | | | | | | | |
| Average | 13 | 22 | 9 | 2 | 12 | (31) | 27 |
| Minimum | 9 | 20 | 6 | 1 | 10 | –[1] | 24 |
| Maximum | 16 | 24 | 14 | 3 | 16 | –[1] | 31 |
| End of period | 14 | 23 | 7 | 1 | 15 | (29) | 31 |
| **2Q16** | | | | | | | |
| Average | 13 | 27 | 8 | 2 | 17 | (34) | 33 |
| Minimum | 9 | 21 | 6 | 2 | 11 | –[1] | 25 |
| Maximum | 16 | 34 | 12 | 3 | 23 | –[1] | 40 |
| End of period | 13 | 21 | 6 | 3 | 12 | (27) | 28 |
| **4Q15** | | | | | | | |
| Average | 21 | 35 | 9 | 2 | 25 | (41) | 51 |
| Minimum | 13 | 33 | 6 | 1 | 17 | –[1] | 43 |
| Maximum | 35 | 42 | 12 | 3 | 35 | –[1] | 60 |
| End of period | 17 | 40 | 9 | 1 | 31 | (42) | 56 |
| **Risk management VaR (USD million)** | | | | | | | |
| **3Q16** | | | | | | | |
| Average | 14 | 22 | 9 | 2 | 12 | (31) | 28 |
| Minimum | 9 | 21 | 6 | 1 | 10 | –[1] | 24 |
| Maximum | 16 | 25 | 14 | 3 | 17 | –[1] | 32 |
| End of period | 14 | 24 | 7 | 1 | 16 | (30) | 32 |
| **2Q16** | | | | | | | |
| Average | 14 | 28 | 8 | 2 | 17 | (35) | 34 |
| Minimum | 9 | 21 | 6 | 2 | 12 | –[1] | 26 |
| Maximum | 17 | 35 | 12 | 3 | 25 | –[1] | 42 |
| End of period | 13 | 22 | 7 | 3 | 12 | (29) | 28 |
| **4Q15** | | | | | | | |
| Average | 22 | 35 | 9 | 2 | 25 | (42) | 51 |
| Minimum | 13 | 32 | 6 | 1 | 18 | –[1] | 44 |
| Maximum | 35 | 42 | 12 | 3 | 35 | –[1] | 61 |
| End of period | 17 | 40 | 9 | 1 | 32 | (42) | 57 |

Excludes risks associated with counterparty and own credit exposures.
[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

We measure VaR in US dollars, as a majority of our trading activities are conducted in US dollars.

Average risk management VaR decreased 18% to USD 28 million from 2Q16, mainly due to the impact of the 2Q16 risk reductions that were reflected for the entire period in the 3Q16 average VaR. These risk reductions were primarily driven by lower credit spread risk, reflecting reduced exposures in distressed credit products across credit markets, RMBS and CMBS in the US and in Europe, as well as reduced equity exposures across equity markets. For the Strategic Resolution Unit, average risk management VaR decreased mainly due to reduced exposures in distressed credit products across credit markets. For Global Markets, the decrease in average risk management VaR was mainly driven by reduced exposures in distressed credit products across credit markets, RMBS and CMBS in the US and in Europe, as well as reduced equity exposures across equity markets. For Asia Pacific, the increase in average risk management VaR was primarily driven by increased interest rate exposures in Japan.

Period-end risk management VaR increased 14% to USD 32 million from 2Q16, mainly driven by increased equity exposure from derivatives in China and India, increased interest rate exposures from European derivatives, and increased credit spread exposures from agency CMBS in the US.

The chart entitled “Daily risk management VaR” shows the aggregated market risk in our trading book on a consolidated basis.

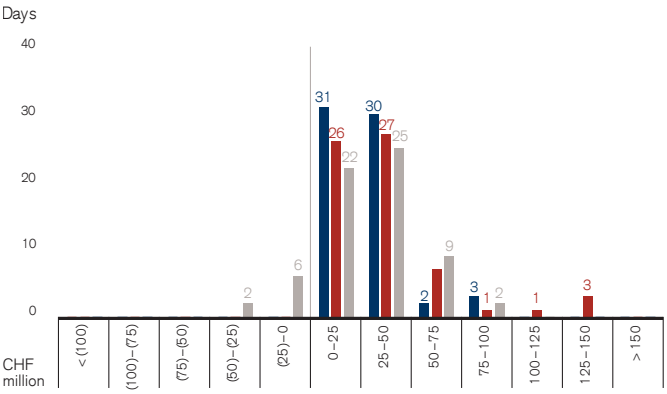
## Daily risk management VaR (rolling four quarters)




— One-day risk management VaR (98%)
Excludes risks associated with counterparty and own credit exposures.

The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 3Q16 with those for 2Q16 and 4Q15. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. We had no trading loss days in 3Q16, compared to no trading loss days in 2Q16 and eight trading loss days in 4Q15.

## Actual daily trading revenues




■ 3Q16 ■ 2Q16 ■ 4Q15
Trading revenues exclude Neue Aargauer Bank AG and valuation adjustments associated with counterparty and own credit exposures.

### VaR backtesting

Various techniques are used to assess the accuracy of the VaR methodology used for risk management and regulatory capital purposes. Backtesting is used to assess the accuracy of the regulatory VaR model. The purpose of the VaR backtesting process is to assess the accuracy and performance of our regulatory VaR model, to assess if our regulatory capital is sufficient to absorb actual losses, and to encourage developments to our VaR model.

Backtesting involves comparing the results produced from the VaR model with the actual daily trading revenues and with a subset of the actual daily trading revenues for capital purposes. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period calculated using the subset of the actual daily trading revenues. In the rolling 12-month period through the end of 3Q16, we had two backtesting exceptions in our regulatory VaR model calculated using the subset of actual daily trading revenues. Since there were fewer than five backtesting exceptions in the rolling 12-month period through the end of 3Q16, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

▸ Refer to "Market risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on VaR backtesting.

▸ Refer to "Risk measurement models" in Capital management – Regulatory capital framework for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

### Banking book

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

Interest rate risk on banking book positions is measured by estimating the impact resulting from a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions. The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions would have been an increase of CHF 4.5 million as of the end of 3Q16, stable compared to the end of 2Q16.

## CREDIT RISK REVIEW

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management. The majority of our credit risk is concentrated in the private banking, corporate and institutional businesses and in the investment banking businesses.

▸ Refer to "Credit risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on credit risk.

▸ Refer to "Note 17 – Loans, allowance for loan losses and credit quality" and "Note 29 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information on loans and impaired loans and counterparty credit risk, respectively.

## Loans

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **3Q16 (CHF million)** | | | | | | | |
| Mortgages | 99,183 | 3,592 | 1,135 | 0 | 0 | 348 | 104,258 |
| Loans collateralized by securities | 7,520 | 17,213 | 12,308 | 0 | 249 | 283 | 37,573 |
| Consumer finance | 3,030 | 727 | 44 | 20 | 0 | 87 | 3,908 |
| Consumer | 109,733 | 21,532 | 13,487 | 20 | 249 | 718 | 145,739 |
| Real estate | 23,968 | 1,020 | 316 | 244 | 342 | 100 | 26,001 |
| Commercial and industrial loans | 28,605 | 18,154 | 22,133 | 4,036 | 4,829 | 3,911 | 81,689 |
| Financial institutions | 4,271 | 2,226 | 1,732 | 4,149 | 434 | 5,232 | 18,150 |
| Governments and public institutions | 755 | 212 | 1,087 | 792 | 0 | 1,195 | 4,041 |
| Corporate & institutional | 57,599 [2] | 21,612 [3] | 25,268 [4] | 9,221 | 5,605 | 10,438 | 129,881 |
| **Gross loans** | **167,332** | **43,144** | **38,755** | **9,241** | **5,854** | **11,156** | **275,620** |
| of which held at fair value | 54 | 464 | 5,077 | 5,836 | 3,178 | 5,319 | 19,928 |
| Net (unearned income) / deferred expenses | 33 | (111) | (25) | (8) | (6) | (31) | (148) |
| Allowance for loan losses [5] | (455) | (91) | (61) | (32) | (21) | (206) | (866) |
| **Net loans** | **166,910** | **42,942** | **38,669** | **9,201** | **5,827** | **10,919** | **274,606** |
| **2Q16 (CHF million)** | | | | | | | |
| Mortgages | 98,776 | 4,156 | 1,137 | 0 | 0 | 325 | 104,394 |
| Loans collateralized by securities | 7,160 | 16,898 | 11,808 | 0 | 293 | 226 | 36,385 |
| Consumer finance | 3,039 | 555 | 48 | 22 | 0 | 93 | 3,757 |
| Consumer | 108,975 | 21,609 | 12,993 | 22 | 293 | 644 | 144,536 |
| Real estate | 24,203 | 1,045 | 257 | 233 | 326 | 143 | 26,218 |
| Commercial and industrial loans | 27,202 | 18,055 | 22,091 | 4,639 | 4,764 | 4,416 | 81,240 |
| Financial institutions | 3,991 | 2,306 | 1,536 | 4,452 | 340 | 6,185 | 18,924 |
| Governments and public institutions | 763 | 214 | 985 | 772 | 0 | 1,194 | 3,928 |
| Corporate & institutional | 56,159 [2] | 21,620 [3] | 24,869 [4] | 10,096 | 5,430 | 11,938 | 130,310 |
| **Gross loans** | **165,134** | **43,229** | **37,862** | **10,118** | **5,723** | **12,582** | **274,846** |
| of which held at fair value | 30 | 683 | 5,558 | 6,053 | 2,746 | 5,761 | 20,831 |
| Net (unearned income) / deferred expenses | (3) | (81) | (20) | (9) | (5) | (30) | (148) |
| Allowance for loan losses [5] | (470) | (89) | (29) | (31) | (22) | (222) | (863) |
| **Net loans** | **164,661** | **43,059** | **37,813** | **10,078** | **5,696** | **12,330** | **273,835** |
| **4Q15 (CHF million)** | | | | | | | |
| Mortgages | 97,529 | 4,080 | 1,039 | 0 | 0 | 516 | 103,164 |
| Loans collateralized by securities | 7,799 | 16,748 | 11,184 | 0 | 554 | 1,661 | 37,946 |
| Consumer finance | 2,971 | 434 | 29 | 28 | 1 | 303 | 3,766 |
| Consumer | 108,299 | 21,262 | 12,252 | 28 | 555 | 2,480 | 144,876 |
| Real estate | 23,499 | 877 | 321 | 659 | 482 | 601 | 26,451 |
| Commercial and industrial loans | 26,549 | 16,627 | 21,220 | 5,061 | 3,056 | 5,185 | 77,767 |
| Financial institutions | 4,031 | 1,393 | 1,606 | 7,306 | 1,199 | 5,756 | 21,334 |
| Governments and public institutions | 831 | 82 | 585 | 694 | 0 | 1,386 | 3,578 |
| Corporate & institutional | 54,910 [2] | 18,979 [3] | 23,732 [4] | 13,720 | 4,737 | 12,928 | 129,130 |
| **Gross loans** | **163,209** | **40,241** | **35,984** | **13,748** | **5,292** | **15,408** | **274,006** |
| of which held at fair value | 81 | 202 | 4,724 | 7,329 | 2,298 | 6,186 | 20,820 |
| Net (unearned income) / deferred expenses | 7 | (82) | (29) | (13) | (6) | (22) | (145) |
| Allowance for loan losses [5] | (499) | (75) | (50) | (35) | (6) | (201) | (866) |
| **Net loans** | **162,717** | **40,084** | **35,905** | **13,700** | **5,280** | **15,185** | **272,995** |

[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 11,410 million and CHF 33,678 million, respectively, as of the end of 3Q16, CHF 10,015 million and CHF 33,905 million, respectively, as of the end of 2Q16, and CHF 9,201 million and CHF 33,615 million, respectively, as of the end of 4Q15.
[3] The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 16,969 million and CHF 863 million, respectively, as of the end of 3Q16, CHF 16,549 million and CHF 905 million, respectively, as of the end of 2Q16, and CHF 15,951 million and CHF 911 million, respectively, as of the end of 4Q15.
[4] The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 17,890 million and CHF 192 million, respectively, as of the end of 3Q16, CHF 17,009 million and CHF 249 million, respectively, as of the end of 2Q16, and CHF 17,627 million and CHF 244 million, respectively, as of the end of 4Q15.
[5] Allowance for loan losses are only based on loans which are not carried at fair value.

### Loans

Compared to the end of 2Q16, gross loans increased CHF 0.8 billion to CHF 275.6 billion as of the end of 3Q16, mainly driven by higher loans collateralized by securities and higher commercial and industrial loans, partially offset by lower loans to financial institutions and lower loans to the real estate sector. The net increase of CHF 1.2 billion in loans collateralized by securities was mainly driven by Asia Pacific, Swiss Universal Bank and International Wealth Management. The net increase of CHF 0.4 billion in commercial and industrial loans was mainly driven by Swiss Universal Bank, partially offset by Global Markets and the Strategic Resolution Unit. Loans to financial institutions decreased CHF 0.8 billion, primarily in the Strategic Resolution Unit, partially offset by increases in Global Markets, Swiss Universal Bank and Asia Pacific. Loans to the real estate sector decreased CHF 0.2 billion, primarily in Swiss Universal Bank.

On a divisional level, increases in gross loans of CHF 2.2 billion in Swiss Universal Bank, CHF 0.9 billion in Asia Pacific and CHF 0.1 billion in Investment Banking & Capital Markets were partially offset by decreases of CHF 1.4 billion in the Strategic Resolution Unit, CHF 0.9 billion in Global Markets and CHF 0.1 billion in International Wealth Management.

## Impaired loans

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **3Q16 (CHF million)** | | | | | | | |
| Non-performing loans | 382 | 342 | 276 | 9 | 0 | 423 | 1,432 |
| Non-interest-earning loans | 174 | 23 | 2 | 0 | 0 | 74 | 273 |
| Non-performing and non-interest-earning loans | 556 | 365 | 278 | 9 | 0 | 497 | 1,705 |
| Restructured loans | 35 | 37 | 8 | 0 | 0 | 186 | 266 |
| Potential problem loans | 184 | 40 | 3 | 9 | 0 | 95 | 331 |
| Other impaired loans | 219 | 77 | 11 | 9 | 0 | 281 | 597 |
| **Gross impaired loans** [2] | **775** | **442** | **289** | **18** | **0** | **778** | **2,302** |
| of which loans with a specific allowance | 685 | 184 | 251 | 18 | 0 | 671 | 1,809 |
| of which loans without a specific allowance | 90 | 258 | 38 | 0 | 0 | 107 | 493 |
| **2Q16 (CHF million)** | | | | | | | |
| Non-performing loans | 429 | 229 | 183 | 8 | 0 | 577 | 1,426 |
| Non-interest-earning loans | 174 | 16 | 2 | 0 | 0 | 12 | 204 |
| Non-performing and non-interest-earning loans | 603 | 245 | 185 | 8 | 0 | 589 | 1,630 |
| Restructured loans | 34 | 86 | 16 | 0 | 0 | 121 | 257 |
| Potential problem loans | 157 | 37 | 4 | 9 | 0 | 210 | 417 |
| Other impaired loans | 191 | 123 | 20 | 9 | 0 | 331 | 674 |
| **Gross impaired loans** [2] | **794** | **368** | **205** | **17** | **0** | **920** | **2,304** |
| of which loans with a specific allowance | 696 | 180 | 183 | 17 | 0 | 675 | 1,751 |
| of which loans without a specific allowance | 98 | 188 | 22 | 0 | 0 | 245 | 553 |
| **4Q15 (CHF million)** | | | | | | | |
| Non-performing loans | 414 | 94 | 205 | 26 | 2 | 242 | 983 |
| Non-interest-earning loans | 201 | 33 | 3 | 0 | 0 | 35 | 272 |
| Non-performing and non-interest-earning loans | 615 | 127 | 208 | 26 | 2 | 277 | 1,255 |
| Restructured loans | 44 | 52 | 10 | 0 | 0 | 176 | 282 |
| Potential problem loans | 136 | 73 | 11 | 9 | 0 | 207 | 436 |
| Other impaired loans | 180 | 125 | 21 | 9 | 0 | 383 | 718 |
| **Gross impaired loans** [2] | **795** | **252** | **229** | **35** | **2** | **660** | **1,973** |
| of which loans with a specific allowance | 729 | 148 | 227 | 35 | 2 | 469 | 1,610 |
| of which loans without a specific allowance | 66 | 104 | 2 | 0 | 0 | 191 | 363 |

[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] Impaired loans are only based on loans which are not carried at fair value.

### Impaired loans

Compared to the end of 2Q16, gross impaired loans were stable at CHF 2.3 billion as of the end of 3Q16, mainly reflecting lower potential problem loans in the Strategic Resolution Unit, partially offset by higher non-interest-earning loans and higher restructured loans in the Strategic Resolution Unit. Non-performing loans were stable, reflecting increases in International Wealth Management and Asia Pacific offset by decreases in the Strategic Resolution Unit and Swiss Universal Bank. Decreases in potential problem loans were primarily driven by the reclassification of a large single exposure to non-impaired status in the Strategic Resolution Unit.

In the Strategic Resolution Unit, gross impaired loans decreased CHF 142 million, primarily driven by the reclassification of an impaired CHF 97 million exposure to an oil and gas extraction counterparty to non-impaired status due to improved collateral coverage levels and the sale of another CHF 55 million oil and gas exposure. In Swiss Universal Bank, gross impaired loans decreased CHF 19 million, primarily driven by write-offs in consumer finance and corporate & institutional loans as well as reclassifications to non-impaired status, partially offset by new impairments across corporate & institutional and consumer loans. In Asia Pacific, gross impaired loans increased CHF 84 million, primarily driven by a small number of individually impaired share-based loans in Hong Kong which were impaired due to their collateral values abruptly falling below their loan amounts, and the impairment of a single facility extended to an investment company. In International Wealth Management, gross impaired loans increased CHF 74 million, primarily driven by aviation finance and lombard loans, partially offset by reductions in ship finance.

## Allowance for loan losses

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **3Q16 (CHF million)** | | | | | | | |
| **Allowance for loan losses at beginning of period** [2] | **470** | **89** | **29** | **31** | **22** | **222** | **863** |
| of which individually evaluated for impairment | 323 | 56 | 21 | 8 | 0 | 215 | 623 |
| of which collectively evaluated for impairment | 147 | 33 | 8 | 23 | 22 | 7 | 240 |
| Net movements recognized in statements of operations | 16 | 15 | 34 | 1 | (5) | 1 | 62 |
| Gross write-offs | (35) | (17) | (6) | 0 | (1) | (19) | (78) |
| Recoveries | 2 | 4 | 0 | 1 | 1 | 2 | 10 |
| Net write-offs | (33) | (13) | (6) | 1 | 0 | (17) | (68) |
| Provisions for interest | 1 | 1 | 5 | 0 | 1 | 0 | 8 |
| Foreign currency translation impact and other adjustments, net | 1 | (1) | (1) | (1) | 3 | 0 | 1 |
| **Allowance for loan losses at end of period** [2] | **455** | **91** | **61** | **32** | **21** | **206** | **866** |
| of which individually evaluated for impairment | 306 | 57 | 54 | 9 | 0 | 203 | 629 |
| of which collectively evaluated for impairment | 149 | 34 | 7 | 23 | 21 | 3 | 237 |
| **9M16 (CHF million)** | | | | | | | |
| **Allowance for loan losses at beginning of period** [2] | **499** | **75** | **50** | **35** | **6** | **201** | **866** |
| of which individually evaluated for impairment | 366 | 43 | 38 | 15 | 0 | 188 | 650 |
| of which collectively evaluated for impairment | 133 | 32 | 12 | 20 | 6 | 13 | 216 |
| Net movements recognized in statements of operations | 45 | 29 | 9 | 5 | 11 | 76 | 175 |
| Gross write-offs | (94) | (20) | (6) | (8) | (1) | (96) | (225) |
| Recoveries | 8 | 6 | 1 | 1 | 2 | 26 | 44 |
| Net write-offs | (86) | (14) | (5) | (7) | 1 | (70) | (181) |
| Provisions for interest | 1 | 2 | 9 | 0 | 1 | 1 | 14 |
| Foreign currency translation impact and other adjustments, net | (4) | (1) | (2) | (1) | 2 | (2) | (8) |
| **Allowance for loan losses at end of period** [2] | **455** | **91** | **61** | **32** | **21** | **206** | **866** |
| of which individually evaluated for impairment | 306 | 57 | 54 | 9 | 0 | 203 | 629 |
| of which collectively evaluated for impairment | 149 | 34 | 7 | 23 | 21 | 3 | 237 |

[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] Allowance for loan losses are only based on loans which are not carried at fair value.

## Loan metrics

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **3Q16 (%)** | | | | | | | |
| Non-performing and non-interest-earning loans / Gross loans | 0.3 | 0.9 | 0.8 | 0.3 | 0.0 | 8.5 | 0.7 |
| Gross impaired loans / Gross loans | 0.5 | 1.0 | 0.9 | 0.5 | 0.0 | 13.3 | 0.9 |
| Allowance for loan losses / Gross loans | 0.3 | 0.2 | 0.2 | 0.9 | 0.8 | 3.5 | 0.3 |
| Specific allowance for loan losses / Gross impaired loans | 39.5 | 12.9 | 18.7 | 50.0 | – | 26.1 | 27.3 |
| **2Q16 (%)** | | | | | | | |
| Total non-performing and non-interest-earning loans / Gross loans | 0.4 | 0.6 | 0.6 | 0.2 | 0.0 | 8.6 | 0.6 |
| Gross impaired loans / Gross loans | 0.5 | 0.9 | 0.6 | 0.4 | 0.0 | 13.5 | 0.9 |
| Allowance for loan losses / Gross loans | 0.3 | 0.2 | 0.1 | 0.8 | 0.7 | 3.3 | 0.3 |
| Specific allowance for loan losses / Gross impaired loans | 40.7 | 15.2 | 10.2 | 47.1 | – | 23.4 | 27.0 |
| **4Q15 (%)** | | | | | | | |
| Non-performing and non-interest-earning loans / Gross loans | 0.4 | 0.3 | 0.7 | 0.4 | 0.1 | 3.0 | 0.5 |
| Gross impaired loans / Gross loans | 0.5 | 0.6 | 0.7 | 0.5 | 0.1 | 7.2 | 0.8 |
| Allowance for loan losses / Gross loans [2] | 0.3 | 0.2 | 0.2 | 0.5 | 0.2 | 2.2 | 0.3 |
| Specific allowance for loan losses / Gross impaired loans [2] | 46.0 | 17.1 | 16.6 | 42.9 | 0.0 | 28.5 | 32.9 |

Gross loans and gross impaired loans exclude loans carried at fair value and the allowance for loan losses is only based on loans which are not carried at fair value.
[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] Prior period has been corrected.

## SELECTED EUROPEAN CREDIT RISK EXPOSURES

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion.

▸ Refer to "Selected European credit risk exposures" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results in the Credit Suisse Annual Report 2015 for further information on selected European credit risk exposures.

### Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our overall risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses of our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our OTC derivative and reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from G7 and non-G7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

### Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Cyprus, Croatia, Greece, Ireland, Italy, Malta, Portugal and Spain as of the end of 3Q16 was EUR 3,546 million, stable compared to EUR 3,528 million as of the end of 2Q16. Our net exposure to these sovereigns was EUR 562 million, 5% higher compared to EUR 535 million as of the end of 2Q16. Our non-sovereign risk-based credit risk exposure in these countries as of the end of 3Q16 included net exposure to financial institutions of EUR 2,402 million and to corporates and other counterparties of EUR 1,397 million, 14% lower compared to EUR 2,802 million and 17% higher compared to EUR 1,192 million, respectively, as of the end of 2Q16.

▸ Refer to "Selected European credit risk exposures" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results in the Credit Suisse Annual Report 2015 for further information on the presentation of selected European credit risk exposures.

### Sovereign debt rating developments

In 3Q16, the long-term sovereign debt ratings of the countries listed in the table remained unchanged.

## Selected European credit risk exposures

| | Gross credit risk exposure | Risk mitigation | | Net credit risk exposure | Inventory [2] | | Total credit risk exposure | |
|---|---|---|---|---|---|---|---|---|
| **end of 3Q16** | | CDS | Other [1] | | | Net synthetic inventory [3] | **Gross** | **Net** |
| **Croatia (EUR million)** | | | | | | | | |
| Sovereign | 218 | 36 | 158 | 24 | 0 | (58) | 218 | 24 |
| Financial institutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporates & other | 50 | 0 | 0 | 50 | 0 | 0 | 50 | 50 |
| **Total** | **268** | **36** | **158** | **74** | **0** | **(58)** | **268** | **74** |
| **Cyprus (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 10 | 0 | 10 | 10 |
| Financial institutions | 56 | 0 | 50 | 6 | 0 | 0 | 56 | 6 |
| Corporates & other | 1,109 | 0 | 1,095 | 14 | 0 | 0 | 1,109 | 14 |
| **Total** | **1,165** | **0** | **1,145** | **20** | **10** | **0** | **1,175** | **30** |
| **Greece (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 2 | 4 | 2 | 2 |
| Financial institutions | 241 | 0 | 241 | 0 | 0 | 0 | 241 | 0 |
| Corporates & other | 1,189 | 0 | 1,167 | 22 | 1 | (20) | 1,190 | 23 |
| **Total** | **1,430** | **0** | **1,408** | **22** | **3** | **(16)** | **1,433** | **25** |
| **Ireland (EUR million)** | | | | | | | | |
| Sovereign | 15 | 0 | 0 | 15 | 0 | (9) | 15 | 15 |
| Financial institutions | 1,518 | 7 | 465 | 1,046 | 35 | (60) | 1,553 | 1,081 |
| Corporates & other | 917 | 109 | 435 | 373 | 27 | (142) | 944 | 400 |
| **Total** | **2,450** | **116** | **900** | **1,434** | **62** | **(211)** | **2,512** | **1,496** |
| **Italy (EUR million)** | | | | | | | | |
| Sovereign | 3,239 | 2,576 | 214 | 449 | 0 | (1,358) | 3,239 | 449 |
| Financial institutions | 1,335 | 0 | 888 | 447 | 16 | 9 | 1,351 | 463 |
| Corporates & other | 3,109 | 115 | 2,534 | 460 | 75 | (46) | 3,184 | 535 |
| **Total** | **7,683** | **2,691** | **3,636** | **1,356** | **91** | **(1,395)** | **7,774** | **1,447** |
| **Malta (EUR million)** | | | | | | | | |
| Financial institutions | 40 | 0 | 0 | 40 | 0 | 0 | 40 | 40 |
| Corporates & other | 508 | 0 | 508 | 0 | 0 | 0 | 508 | 0 |
| **Total** | **548** | **0** | **508** | **40** | **0** | **0** | **548** | **40** |
| **Portugal (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 38 | 33 | 38 | 38 |
| Financial institutions | 156 | 0 | 152 | 4 | 1 | (2) | 157 | 5 |
| Corporates & other | 204 | 3 | 115 | 86 | 10 | (6) | 214 | 96 |
| **Total** | **360** | **3** | **267** | **90** | **49** | **25** | **409** | **139** |
| **Spain (EUR million)** | | | | | | | | |
| Sovereign | 24 | 0 | 0 | 24 | 0 | (14) | 24 | 24 |
| Financial institutions | 1,736 | 0 | 930 | 806 | 1 | (149) | 1,737 | 807 |
| Corporates & other | 1,512 | 10 | 1,226 | 276 | 3 | (191) | 1,515 | 279 |
| **Total** | **3,272** | **10** | **2,156** | **1,106** | **4** | **(354)** | **3,276** | **1,110** |
| **Total (EUR million)** | | | | | | | | |
| Sovereign | 3,496 | 2,612 | 372 | 512 | 50 | (1,402) | 3,546 | 562 |
| Financial institutions | 5,082 | 7 | 2,726 | 2,349 | 53 | (202) | 5,135 | 2,402 |
| Corporates & other | 8,598 | 237 | 7,080 | 1,281 | 116 | (405) | 8,714 | 1,397 |
| **Total** | **17,176** | **2,856** | **10,178** | **4,142** | **219** | **(2,009)** | **17,395** | **4,361** |

[1] Includes other hedges (derivative instruments), guarantees, insurance and collateral.
[2] Represents long inventory positions netted at issuer level.
[3] Substantially all of which results from CDS; represents long positions net of short positions.

# Balance sheet and off-balance sheet

Total assets were CHF 806.7 billion, total liabilities were CHF 762.0 billion and total equity was CHF 44.8 billion. Total assets decreased 2% and total liabilities decreased 2% for the quarter, reflecting lower operating activities and the foreign exchange translation impact. The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

## BALANCE SHEET

Total assets were CHF 806.7 billion as of the end of 3Q16, a decrease of CHF 14.5 billion, or 2%, from the end of 2Q16, reflecting lower operating activities and the foreign exchange translation impact. Excluding the foreign exchange translation impact, total assets decreased CHF 12.0 billion.

Compared to the end of 2Q16, cash and due from banks decreased CHF 9.1 billion, or 8%, mainly driven by lower cash positions at the Fed. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions decreased CHF 7.3 billion, or 6%, mainly driven by a decrease in reverse repurchase transactions with customers and the foreign exchange translation impact. Brokerage receivables decreased CHF 2.7 billion, or 6%, mainly driven by a decrease in foreign exchange activity, a decrease in failed settlements and the foreign exchange translation impact. Net loans were stable. Trading assets increased CHF 6.3 billion, or 4%, mainly due to higher equity and debt securities, partially offset by lower derivative instruments and the foreign exchange translation impact. All other assets decreased CHF 2.4 billion, or 3%, mainly reflecting a decrease in other assets related to cash collateral on derivative instruments and the foreign exchange translation impact, partially offset by an increase in securities received as collateral.

### Balance sheet summary

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 4Q15 | QoQ | Ytd |
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 104,972 | 114,049 | 92,328 | (8) | 14 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 114,793 | 122,068 | 123,049 | (6) | (7) |
| Trading assets | 183,870 | 177,619 | 190,737 | 4 | (4) |
| Net loans | 274,606 | 273,835 | 272,995 | 0 | 1 |
| Brokerage receivables | 39,392 | 42,108 | 34,542 | (6) | 14 |
| All other assets | 89,078 | 91,485 | 107,154 | (3) | (17) |
| **Total assets** | **806,711** | **821,164** | **820,805** | (2) | (2) |
| **Liabilities and equity (CHF million)** | | | | | |
| Due to banks | 21,964 | 23,229 | 21,054 | (5) | 4 |
| Customer deposits | 345,148 | 347,559 | 342,705 | (1) | 1 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 32,261 | 32,499 | 46,598 | (1) | (31) |
| Trading liabilities | 47,893 | 51,682 | 48,971 | (7) | (2) |
| Long-term debt | 195,455 | 200,226 | 197,608 | (2) | (1) |
| Brokerage payables | 42,188 | 43,944 | 39,452 | (4) | 7 |
| All other liabilities | 77,045 | 76,696 | 79,399 | 0 | (3) |
| **Total liabilities** | **761,954** | **775,835** | **775,787** | (2) | (2) |
| **Total shareholders' equity** | **44,276** | **44,962** | **44,382** | (2) | 0 |
| Noncontrolling interests | 481 | 367 | 636 | 31 | (24) |
| **Total equity** | **44,757** | **45,329** | **45,018** | (1) | (1) |
| **Total liabilities and equity** | **806,711** | **821,164** | **820,805** | (2) | (2) |

Total liabilities were CHF 762.0 billion as of the end of 3Q16, a decrease of CHF 13.9 billion, or 2%, from the end of 2Q16, reflecting lower operating activities and the foreign exchange translation impact. Excluding the foreign exchange translation impact, total liabilities decreased CHF 11.6 billion.

Compared to the end of 2Q16, long-term debt decreased CHF 4.8 billion, or 2%, primarily driven by maturities of senior and subordinated debt and the foreign exchange translation impact, partially offset by the issuance of senior debt. Trading liabilities decreased CHF 3.8 billion, or 7%, mainly reflecting a decrease in derivative instruments and the foreign exchange translation impact. Customer deposits decreased CHF 2.4 billion, or 1%, mainly driven by decreases in current accounts related to private clients, numbered accounts for private and institutional clients, a decrease in certificates of deposits and the foreign exchange translation impact, largely offset by an increase in demand deposits. Brokerage payables decreased by CHF 1.8 billion, or 4%, mainly reflecting a decrease in margin lending balances with customers, failed settlements and the foreign exchange translation impact. Due to banks decreased CHF 1.3 billion, or 5%, mainly driven by an decrease in demand, money market and time deposits with banks. Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions were stable. All other liabilities were stable.

▸ Refer to “Funding sources and uses” in Liquidity and funding management and “Capital management” for further information, including our funding of the balance sheet and the leverage ratio.

## OFF-BALANCE SHEET

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with special purpose entities (SPEs), and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

▸ Refer to “Liquidity and funding management” in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 and “Note 27 – Guarantees and commitments” and “Note 31 – Litigation” in III – Condensed consolidated financial statements – unaudited for further information.

III

# Condensed consolidated financial statements – unaudited

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## Notes to the condensed consolidated financial statements – unaudited


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Report of Independent Registered Public Accounting Firm to the Board of Directors of

**Credit Suisse Group AG, Zurich**

We have reviewed the accompanying condensed consolidated balance sheets of Credit Suisse Group AG and subsidiaries (the "Group") as of September 30, 2016, the related condensed consolidated statements of operations, changes in equity and comprehensive income, for the three and nine-month periods ended September 30, 2016 and 2015, and the related condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2016 and 2015. These condensed consolidated financial statements are the responsibility of the Group's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Group as of December 31, 2015, and the related consolidated statements of operations, changes in equity, comprehensive income, and cash flows for the year then ended (not presented herein); and in our report dated March 24, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG AG

Nicholas Edmonds
*Licensed Audit Expert*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
November 3, 2016

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# Condensed consolidated financial statements – unaudited

## Consolidated statements of operations (unaudited)

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | | |
| Interest and dividend income | 4,222 | 4,757 | 4,422 | 13,564 | 14,815 |
| Interest expense | (2,292) | (2,758) | (2,338) | (7,624) | (7,710) |
| Net interest income | 1,930 | 1,999 | 2,084 | 5,940 | 7,105 |
| Commissions and fees | 2,680 | 2,796 | 2,892 | 8,151 | 9,130 |
| Trading revenues | 232 | 94 | 801 | 55 | 2,689 |
| Other revenues | 554 | 219 | 208 | 996 | 663 |
| **Net revenues** | **5,396** | **5,108** | **5,985** | **15,142** | **19,587** |
| **Provision for credit losses** | **55** | **(28)** | **110** | **177** | **191** |
| Compensation and benefits | 2,674 | 2,734 | 2,507 | 7,890 | 8,397 |
| General and administrative expenses | 1,978 | 1,760 | 2,100 | 5,586 | 5,766 |
| Commission expenses | 322 | 352 | 416 | 1,061 | 1,214 |
| Restructuring expenses | 145 | 91 | – | 491 | – |
| Total other operating expenses | 2,445 | 2,203 | 2,516 | 7,138 | 6,980 |
| **Total operating expenses** | **5,119** | **4,937** | **5,023** | **15,028** | **15,377** |
| **Income/(loss) before taxes** | **222** | **199** | **852** | **(63)** | **4,019** |
| Income tax expense | 185 | 21 | 83 | 27 | 1,150 |
| **Net income/(loss)** | **37** | **178** | **769** | **(90)** | **2,869** |
| Net income/(loss) attributable to noncontrolling interests | (4) | 8 | (10) | 1 | (15) |
| **Net income/(loss) attributable to shareholders** | **41** | **170** | **779** | **(91)** | **2,884** |
| **Earnings/(loss) per share (CHF)** | | | | | |
| Basic earnings/(loss) per share | 0.02 | 0.08 | 0.46 | (0.05) | 1.68 |
| Diluted earnings/(loss) per share | 0.02 | 0.08 | 0.44 | (0.05) | 1.64 |

## Consolidated statements of comprehensive income (unaudited)

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Comprehensive income/(loss) (CHF million)** | | | | | |
| Net income/(loss) | 37 | 178 | 769 | (90) | 2,869 |
| Gains/(losses) on cash flow hedges | (32) | 20 | 22 | 34 | 61 |
| Foreign currency translation | (221) | 345 | 1,121 | (731) | (1,425) |
| Unrealized gains/(losses) on securities | (1) | 2 | 0 | 6 | (2) |
| Actuarial gains/(losses) | 95 | 82 | 72 | 282 | 253 |
| Net prior service credit/(cost) | (24) | (25) | (20) | (77) | (63) |
| Gains/(losses) on liabilities related to credit risk | (852) | (69) | – | 345 | – |
| Other comprehensive income/(loss), net of tax | (1,035) | 355 | 1,195 | (141) | (1,176) |
| **Comprehensive income/(loss)** | **(998)** | **533** | **1,964** | **(231)** | **1,693** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (13) | 22 | 16 | (12) | (43) |
| **Comprehensive income/(loss) attributable to shareholders** | **(985)** | **511** | **1,948** | **(219)** | **1,736** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited)

| end of | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | 104,972 | 114,049 | 92,328 |
| of which reported at fair value | 453 | 318 | 89 |
| of which reported from consolidated VIEs | 595 | 489 | 1,693 |
| Interest-bearing deposits with banks | 827 | 820 | 867 |
| of which reported at fair value | 49 | 0 | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 114,793 | 122,068 | 123,049 |
| of which reported at fair value | 77,237 | 79,927 | 83,565 |
| of which reported from consolidated VIEs | 0 | 0 | 53 |
| Securities received as collateral, at fair value | 27,707 | 25,993 | 28,511 |
| of which encumbered | 23,567 | 22,046 | 27,940 |
| Trading assets, at fair value | 183,870 | 177,619 | 190,737 |
| of which encumbered | 62,712 | 58,393 | 62,559 |
| of which reported from consolidated VIEs | 3,287 | 3,475 | 2,372 |
| Investment securities | 2,377 | 2,611 | 3,090 |
| of which reported at fair value | 2,377 | 2,611 | 3,090 |
| of which reported from consolidated VIEs | 331 | 544 | 1,009 |
| Other investments | 6,012 | 6,149 | 7,021 |
| of which reported at fair value | 3,441 | 3,587 | 4,237 |
| of which reported from consolidated VIEs | 1,889 | 1,955 | 1,986 |
| Net loans | 274,606 | 273,835 | 272,995 |
| of which reported at fair value | 19,928 | 20,831 | 20,820 |
| of which encumbered | 107 | 111 | 108 |
| of which reported from consolidated VIEs | 271 | 360 | 1,312 |
| allowance for loan losses | (866) | (863) | (866) |
| Premises and equipment | 4,640 | 4,693 | 4,644 |
| of which reported from consolidated VIEs | 246 | 282 | 327 |
| Goodwill | 4,725 | 4,745 | 4,808 |
| Other intangible assets | 192 | 191 | 196 |
| of which reported at fair value | 115 | 111 | 112 |
| Brokerage receivables | 39,392 | 42,108 | 34,542 |
| Other assets | 42,598 | 46,283 | 58,017 |
| of which reported at fair value | 15,108 | 13,439 | 25,627 |
| of which encumbered | 71 | 50 | 671 |
| of which reported from consolidated VIEs | 2,683 | 2,503 | 14,451 |
| **Total assets** | **806,711** | **821,164** | **820,805** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited) (continued)

| end of | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 21,964 | 23,229 | 21,054 |
| of which reported at fair value | 414 | 514 | 482 |
| Customer deposits | 345,148 | 347,559 | 342,705 |
| of which reported at fair value | 3,742 | 3,908 | 3,663 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 32,261 | 32,499 | 46,598 |
| of which reported at fair value | 19,861 | 18,114 | 32,398 |
| Obligation to return securities received as collateral, at fair value | 27,707 | 25,993 | 28,511 |
| Trading liabilities, at fair value | 47,893 | 51,682 | 48,971 |
| of which reported from consolidated VIEs | 132 | 137 | 27 |
| Short-term borrowings | 11,600 | 11,178 | 8,657 |
| of which reported at fair value | 3,374 | 2,996 | 3,112 |
| of which reported from consolidated VIEs | 0 | 1 | 81 |
| Long-term debt | 195,455 | 200,226 | 197,608 |
| of which reported at fair value | 74,997 | 73,922 | 80,931 |
| of which reported from consolidated VIEs | 1,966 | 1,780 | 14,826 |
| Brokerage payables | 42,188 | 43,944 | 39,452 |
| Other liabilities | 37,738 | 39,525 | 42,231 |
| of which reported at fair value | 9,640 | 10,104 | 11,754 |
| of which reported from consolidated VIEs | 233 | 241 | 836 |
| **Total liabilities** | **761,954** | **775,835** | **775,787** |
| Common shares | 84 | 84 | 78 |
| Additional paid-in capital | 31,925 | 31,702 | 31,925 |
| Retained earnings | 28,573 | 28,532 | 29,139 |
| Treasury shares, at cost | (18) | (94) | (125) |
| Accumulated other comprehensive income/(loss) | (16,288) | (15,262) | (16,635) |
| **Total shareholders' equity** | **44,276** | **44,962** | **44,382** |
| Noncontrolling interests | 481 | 367 | 636 |
| **Total equity** | **44,757** | **45,329** | **45,018** |
| **Total liabilities and equity** | **806,711** | **821,164** | **820,805** |

| end of | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|
| **Additional share information** | | | |
| Par value (CHF) | 0.04 | 0.04 | 0.04 |
| Authorized shares [1] | 2,797,379,244 | 2,797,379,244 | 2,666,152,845 |
| Common shares issued | 2,089,897,378 | 2,089,897,378 | 1,957,379,244 |
| Treasury shares | (1,562,140) | (8,533,613) | (5,910,224) |
| Shares outstanding | 2,088,335,238 | 2,081,363,765 | 1,951,469,020 |

[1] Includes issued shares and unissued shares (conditional, conversion and authorized capital).

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **3Q16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **84** | **31,702** | **28,532** | **(94)** | **(15,262)** | **44,962** | **367** | **45,329** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (2) | (2) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 15 | 15 |
| Net income/(loss) | – | – | 41 | – | – | 41 | (4) | 37 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (1,026) | (1,026) | (9) | (1,035) |
| Sale of treasury shares | – | 19 | – | 4,091 | – | 4,110 | – | 4,110 |
| Repurchase of treasury shares | – | – | – | (4,031) | – | (4,031) | – | (4,031) |
| Share-based compensation, net of tax | – | 241 [3] | – | 16 | – | 257 | – | 257 |
| Financial instruments indexed to own shares [4] | – | (37) | – | – | – | (37) | – | (37) |
| Change in scope of consolidation, net | – | – | – | – | – | – | 114 | 114 |
| **Balance at end of period** | **84** | **31,925** | **28,573** | **(18)** | **(16,288)** | **44,276** | **481** | **44,757** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax benefit of CHF 2 million from the excess fair value of shares delivered over recognized compensation expense.
[4] Includes certain call options the Group purchased on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **2Q16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **78** | **32,318** | **28,362** | **(158)** | **(15,603)** | **44,997** | **450** | **45,447** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (53) | (53) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 13 | 13 |
| Net income/(loss) | – | – | 170 | – | – | 170 | 8 | 178 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 341 | 341 | 14 | 355 |
| Issuance of common shares | 6 | 1,661 | – | – | – | 1,667 | – | 1,667 |
| Sale of treasury shares | – | 29 | – | 6,192 | – | 6,221 | – | 6,221 |
| Repurchase of treasury shares | – | – | – | (6,254) | – | (6,254) | – | (6,254) |
| Share-based compensation, net of tax | – | (766) | – | 126 | – | (640) | – | (640) |
| Financial instruments indexed to own shares | – | (81) | – | – | – | (81) | – | (81) |
| Dividends paid | – | (1,435) | – | – | – | (1,435) | – | (1,435) |
| Change in scope of consolidation, net | – | – | – | – | – | – | (36) | (36) |
| Other | – | (24) | – | – | – | (24) | (29) | (53) |
| **Balance at end of period** | **84** | **31,702** | **28,532** | **(94)** | **(15,262)** | **44,962** | **367** | **45,329** |
| **3Q15 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **65** | **25,860** | **34,188** | **(151)** | **(17,320)** | **42,642** | **818** | **43,460** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (32) | (32) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 5 | 5 |
| Net income/(loss) | – | – | 779 | – | – | 779 | (10) | 769 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 1,169 | 1,169 | 26 | 1,195 |
| Sale of treasury shares | – | (6) | – | 4,808 | – | 4,802 | – | 4,802 |
| Repurchase of treasury shares | – | – | – | (4,805) | – | (4,805) | – | (4,805) |
| Share-based compensation, net of tax | – | 278 | – | 30 | – | 308 | – | 308 |
| Financial instruments indexed to own shares | – | (138) | – | – | – | (138) | – | (138) |
| Change in scope of consolidation, net | – | – | – | – | – | – | (64) | (64) |
| **Balance at end of period** | **65** | **25,994** | **34,967** | **(118)** | **(16,151)** | **44,757** | **743** | **45,500** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **9M16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **78** | **31,925** | **29,139** | **(125)** | **(16,635)** | **44,382** | **636** | **45,018** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (65) | (65) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 92 | 92 |
| Net income/(loss) | – | – | (91) | – | – | (91) | 1 | (90) |
| Cumulative effect of accounting changes, net of tax | – | – | (475) | – | 475 | – | – | – |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (128) | (128) | (13) | (141) |
| Issuance of common shares | 6 | 1,661 | – | – | – | 1,667 | – | 1,667 |
| Sale of treasury shares | – | (17) | – | 13,285 | – | 13,268 | – | 13,268 |
| Repurchase of treasury shares | – | – | – | (13,332) | – | (13,332) | – | (13,332) |
| Share-based compensation, net of tax | – | (42) [3] | – | 154 | – | 112 | – | 112 |
| Financial instruments indexed to own shares [4] | – | (145) | – | – | – | (145) | – | (145) |
| Dividends paid | – | (1,435) [5] | – | – | – | (1,435) | – | (1,435) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (141) | (141) |
| Other | – | (22) | – | – | – | (22) | (29) | (51) |
| **Balance at end of period** | **84** | **31,925** | **28,573** | **(18)** | **(16,288)** | **44,276** | **481** | **44,757** |
| **9M15 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,007** | **32,083** | **(192)** | **(15,003)** | **43,959** | **1,042** | **45,001** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (246) | (246) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 50 | 50 |
| Net income/(loss) | – | – | 2,884 | – | – | 2,884 | (15) | 2,869 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (1,148) | (1,148) | (28) | (1,176) |
| Issuance of common shares | 1 | 710 | – | – | – | 711 | – | 711 |
| Sale of treasury shares | – | (9) | – | 12,246 | – | 12,237 | – | 12,237 |
| Repurchase of treasury shares | – | – | – | (13,190) | – | (13,190) | – | (13,190) |
| Share-based compensation, net of tax | – | (579) | – | 1,018 | – | 439 | – | 439 |
| Financial instruments indexed to own shares | – | 2 | – | – | – | 2 | – | 2 |
| Dividends paid | – | (1,137) | – | – | – | (1,137) | – | (1,137) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (58) | (58) |
| Other | – | – | – | – | – | – | (2) | (2) |
| **Balance at end of period** | **65** | **25,994** | **34,967** | **(118)** | **(16,151)** | **44,757** | **743** | **45,500** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax charge of CHF (124) million from the excess recognized compensation expense over fair value of shares delivered.
[4] Includes certain call options the Group purchased on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
[5] Paid out of capital contribution reserves.

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited)

| in | 9M16 | 9M15 |
|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | |
| **Net income/(loss)** | **(90)** | **2,869** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | |
| Impairment, depreciation and amortization | 705 | 782 |
| Provision for credit losses | 177 | 191 |
| Deferred tax provision/(benefit) | (488) | 531 |
| Share of net income/(loss) from equity method investments | 13 | (63) |
| Trading assets and liabilities, net | 4,677 | 26,665 |
| (Increase)/decrease in other assets | (4,183) | (1,966) |
| Increase/(decrease) in other liabilities | 1,180 | (19,234) |
| Other, net | 1,079 | (2,640) |
| Total adjustments | 3,160 | 4,266 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **3,070** | **7,135** |
| **Investing activities of continuing operations (CHF million)** | | |
| (Increase)/decrease in interest-bearing deposits with banks | 53 | 127 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 7,538 | 26,545 |
| Purchase of investment securities | (76) | (308) |
| Proceeds from sale of investment securities | 11 | 16 |
| Maturities of investment securities | 271 | 858 |
| Investments in subsidiaries and other investments | (537) | (450) |
| Proceeds from sale of other investments | 1,162 | 1,269 |
| (Increase)/decrease in loans | (3,852) | (7,152) |
| Proceeds from sales of loans | 1,389 | 1,494 |
| Capital expenditures for premises and equipment and other intangible assets | (870) | (757) |
| Proceeds from sale of premises and equipment and other intangible assets | 54 | 12 |
| Other, net | 538 | 197 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **5,681** | **21,851** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited) (continued)

| in | 9M16 | 9M15 |
|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | |
| Increase/(decrease) in due to banks and customer deposits | 5,650 | (5,724) |
| Increase/(decrease) in short-term borrowings | 3,456 | (11,495) |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (13,707) | (17,384) |
| Issuances of long-term debt | 43,982 | 63,294 |
| Repayments of long-term debt | (35,434) | (40,602) |
| Issuances of common shares | 725 | 1 |
| Sale of treasury shares | 13,268 | 12,237 |
| Repurchase of treasury shares | (13,332) | (13,190) |
| Dividends paid | (493) | (427) |
| Other, net | 318 | 620 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **4,433** | **(12,670)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | |
| **Effect of exchange rate changes on cash and due from banks** | **(540)** | **(1,022)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | |
| **Net increase/(decrease) in cash and due from banks** | **12,644** | **15,294** |
| | | |
| Cash and due from banks at beginning of period | 92,328 | 79,349 |
| **Cash and due from banks at end of period** | **104,972** | **94,643** |

## Supplemental cash flow information (unaudited)

| in | 9M16 | 9M15 |
|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | |
| Cash paid for income taxes | 245 | 846 |
| Cash paid for interest | 7,181 | 7,877 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | |
| Fair value of assets acquired | 0 | 3 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | |
| Assets sold | 0 | 35 |
| Liabilities sold | 0 | 7 |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

# Notes to the condensed consolidated financial statements – unaudited

## 1 Summary of significant accounting policies

### Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Credit Suisse Group AG (the Group) are prepared in accordance with US GAAP and are stated in Swiss francs (CHF). These condensed consolidated financial statements should be read in conjunction with the US GAAP consolidated financial statements and notes thereto for the year ended December 31, 2015 included in the Credit Suisse Annual Report 2015.

▸ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for a description of the Group's significant accounting policies.

Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with US GAAP, but not required for interim reporting purposes, has been condensed or omitted. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current period's presentation. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the periods presented. The 2Q16 consolidated statements of operations and comprehensive income, the 2Q16 consolidated balance sheet and the 3Q16, 2Q16 and 3Q15 consolidated statements of changes in equity have been added for convenience of the reader and are not a required presentation under US GAAP. The results of operations for interim periods are not indicative of results for the entire year.

In preparing these condensed consolidated financial statements, management is required to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2 Recently issued accounting standards

### Recently adopted accounting standards

The following provides the most relevant recently adopted accounting standards.

▸ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for a description of accounting standards adopted in 2015.

#### ASC Topic 718 – Compensation – Stock Compensation

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" (ASU 2014-12), an update to Accounting Standards Codification (ASC) Topic 718 – Compensation – Stock Compensation. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The adoption of ASU 2014-12 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 810 – Consolidation

In February 2015, the FASB issued ASU 2015-02, "Amendments to the Consolidation Analysis" (ASU 2015-02), an update to ASC Topic 810 – Consolidation. The amendments in ASU 2015-02 rescind the indefinite deferral for certain investment funds, which is included in ASU 2010-10, Consolidation (ASC Topic 810), "Amendments for Certain Investment Funds". The amendments in ASU 2015-02 also require a re-evaluation as to whether certain legal entities require consolidation under the revised consolidation model, specifically as it relates to whether limited partnerships and similar legal entities are VIEs or voting interest entities, the elimination of the presumption that a general partner controls a partnership, and the consolidation analysis of VIEs, particularly those that have fee arrangements and related party relationships. The adoption of ASU 2015-02 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" (ASU 2014-13), an update to ASC Topic 810 – Consolidation. ASU 2014-13 applies to reporting entities that are required to consolidate a collateralized financing entity (CFE) under the VIE guidance. These entities may elect to measure the financial assets and the financial liabilities of the CFE at fair value using either ASC Topic 820 – Fair Value Measurements or an alternative provided in ASU 2014-13. When using the measurement alternative provided in this update, the reporting entity should measure both the financial assets and the financial liabilities of the CFE, using the most observable of (i) the fair value of the financial assets and (ii) the fair value of the financial liabilities. The adoption of ASU 2014-13 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 815 – Derivatives and Hedging

In November 2014, the FASB issued ASU 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity" (ASU 2014-16), an update to ASC Topic 815 – Derivatives and Hedging. The amendments in ASU 2014-16 clarify that for hybrid financial instruments issued in the form of a share, an entity (an issuer or an investor) should determine the nature of the host contract by

considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. The adoption of ASU 2014-16 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

### ASC Topic 820 – Fair Value Measurement

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2015-07), an update to ASC Topic 820 – Fair Value Measurement. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient and change the scope of certain disclosure requirements to those investments for which an entity has elected using that practical expedient. The adoption of ASU 2015-07 on January 1, 2016 resulted in modified disclosures but did not have a material impact on the Group's financial position, results of operations and cash flows.

### ASC Topic 825 – Financial Instruments – Overall

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), an update to ASC Topic 825 – Financial Instruments – Overall. The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, and for the interim and annual reporting periods thereafter. Early adoption of the full standard is not permitted, however, certain sections of ASU 2016-01 relating to fair value option-elected financial liabilities can be early adopted in isolation. These amendments to ASU 2016-01 require the changes in fair value relating to instrument-specific credit risk of fair value option elected financial liabilities to be presented separately in AOCI. The Group has early adopted these sections of the update on January 1, 2016. As a result of adoption, a reclassification of a gain from retained earnings to AOCI of CHF 475 million, net of tax, was recorded. The Group is currently evaluating the impact of the adoption of the remaining sections of ASU 2016-01 on the Group's financial position, results of operations and cash flows.

### ASC Topic 835 – Interest

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), an update to ASC Subtopic 835-30, "Interest – Imputation of Interest". Under ASU 2015-03, an entity presents debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than an asset. The adoption of ASU 2015-03 on January 1, 2016 resulted in a reduction to both total assets and total liabilities of CHF 541 million, however, retrospective application was deemed immaterial and, as such, prior periods were not restated.

## Standards to be adopted in future periods

### ASC Topic 205 – Presentation of Financial Statements

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" (ASU 2014-15), an update to ASC Topic 205 – Presentation of Financial Statements. The amendments in ASU 2014-15 provide guidance in US GAAP about management's responsibility to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures in the notes to the financial statements. The amendments are expected to reduce diversity in the timing and content of such disclosures. ASU 2014-15 is effective for the annual reporting period ending after December 15, 2016, and for the interim and annual reporting periods thereafter. Early adoption is permitted. As these amendments relate only to disclosures, the adoption of ASU 2014-15 will have no impact on the Group's financial position, results of operations and cash flows.

### ASC Topic 230 – Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)" (ASU 2016-15), an update to ASC Topic 230 – Statement of Cash Flows. The amendments in ASU 2016-15 provide guidance regarding classification of certain cash receipts and payments where diversity in practice was observed. ASU 2016-15 is required to be applied retrospectively to all periods presented beginning in the year of adoption. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2017, and for the interim periods within those annual reporting periods. Early adoption is permitted, including adoption in an interim period. The Group is currently evaluating the impact of the adoption of ASU 2016-15 on the Group's financial position, results of operations and cash flows.

### ASC Topic 326 – Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), an update to ASC Topic 326 – Financial Instruments – Credit Losses. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on financial assets measured at amortized cost basis (including, but not limited to loans), net investments in leases recognized as lessor and off-balance sheet credit exposures. The ASU eliminates the probable initial recognition threshold under the current incurred loss methodology for recognizing credit losses. Instead, the ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Group will now incorporate forward-looking information into its credit loss estimates. The ASU requires enhanced disclosures to help investors and other financial statement users to better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. As the Group is a US Securities and Exchange Commission (SEC) filer, ASU 2016-13 is

effective for annual reporting periods beginning after December 15, 2019, and for the interim and annual reporting periods thereafter. Early application will be permitted for annual reporting periods, and for the interim periods within those annual reporting periods, beginning after December 15, 2018, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-13 on the Group's financial position, results of operations and cash flows.

**ASC Topic 606 – Revenue from Contracts with Customers**

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), an update to ASC Topic 606 – Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU outlines key steps that an entity should follow to achieve the core principle. ASU 2014-19, as amended by ASU 2015-14 "Deferral of the Effective Date", ASU 2016-08 "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)", ASU 2016-10 "Identifying Performance Obligations and Licensing", ASU 2016-11 "Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting" and ASU 2016-12 "Narrow-Scope Improvements and Practical Expedients", is effective for the annual reporting period beginning after December 15, 2017, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2014-09 and its amendments on the Group's financial position, results of operations and cash flows.

**ASC Topic 718 – Compensation – Stock Compensation**

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09), an update to ASC Topic 718 – Compensation—Stock Compensation. The amendments in ASU 2016-09 provide simplification updates for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-09 on the Group's financial position, results of operations and cash flows.

**ASC Topic 740 – Income Taxes**

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory" (ASU 2016-16), an update to ASC Topic 740 – Income Taxes. The amendments in ASU 2016-16 eliminate the exception for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is required to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2017, and for the interim periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. The Group is currently evaluating the impact of the adoption of ASU 2016-16 on the Group's financial position, results of operations and cash flows.

**ASC Topic 842 – Leases**

In February 2016, the FASB issued ASU 2016-02, "Leases" (ASU 2016-02), creating ASC Topic 842 – Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet. Lessor accounting is substantially unchanged compared to the current accounting guidance. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-02 on the Group's financial position, results of operations and cash flows.

## 3 Business developments

**Credit Suisse (Schweiz) AG**

We registered a new Swiss legal entity under the name Credit Suisse (Schweiz) AG in 2015. This new legal entity is a wholly-owned subsidiary of Credit Suisse AG. It will assume and service Credit Suisse AG's clients of Swiss Universal Bank and will include the majority of that division's employees and those parts of the corporate functions that primarily serve Swiss Universal Bank within Credit Suisse AG and will not be outsourced to other Group entities.

Credit Suisse (Schweiz) AG was established to support the realization of the Group's strategic objectives, to further increase its resilience and to meet developing and future regulatory requirements. The entity received its banking license as of October 14, 2016, and is expected to start its business operations as an independent Swiss bank on November 20, 2016. As licensed Swiss banks, both Credit Suisse AG and Credit Suisse (Schweiz) AG will be subject to the same rules and standards regarding client protection, asset segregation and Swiss banking confidentiality.

In line with our strategy, we are also planning a partial IPO of Credit Suisse (Schweiz) AG by the end of 2017, market conditions permitting. Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals and would be intended to generate/raise additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG.

## 4 Discontinued operations

There were no operations that were discontinued in 9M16 and 2015.

▸ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

## 5 Segment information

### Overview

The Group is a global financial services company domiciled in Switzerland and serves its clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with the strategic direction. The segment information reflects the Group's six reportable segments and the Corporate Center, which are managed and reported on a pre-tax basis.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on segment information, revenue sharing and cost allocation and funding.

### Net revenues and income before taxes

| in | **3Q16** | 2Q16 | 3Q15 | **9M16** | 9M15 |
|---|---|---|---|---|---|
| **Net revenues (CHF million)** | | | | | |
| Swiss Universal Bank | 1,667 | 1,337 | 1,364 | 4,360 | 4,226 |
| International Wealth Management | 1,081 | 1,145 | 1,093 | 3,399 | 3,379 |
| Asia Pacific | 917 | 911 | 885 | 2,735 | 3,013 |
| Global Markets | 1,357 | 1,630 | 1,579 | 4,232 | 5,656 |
| Investment Banking & Capital Markets | 467 | 543 | 400 | 1,398 | 1,367 |
| Strategic Resolution Unit | (165) | (363) | (88) | (1,069) | 637 |
| Corporate Center | 72 | (95) | 752 | 87 | 1,309 |
| **Net revenues** | **5,396** | **5,108** | **5,985** | **15,142** | **19,587** |
| **Income/(loss) before taxes (CHF million)** | | | | | |
| Swiss Universal Bank | 758 | 453 | 400 | 1,643 | 1,311 |
| International Wealth Management | 245 | 245 | 197 | 790 | 747 |
| Asia Pacific | 152 | 206 | 162 | 622 | 994 |
| Global Markets | 87 | 154 | 263 | 43 | 1,381 |
| Investment Banking & Capital Markets | 39 | 135 | 65 | 112 | 163 |
| Strategic Resolution Unit | (852) | (759) | (775) | (2,864) | (1,330) |
| Corporate Center | (207) | (235) | 540 | (409) | 753 |
| **Income/(loss) before taxes** | **222** | **199** | **852** | **(63)** | **4,019** |

### Total assets

| end of | **3Q16** | 2Q16 | 4Q15 |
|---|---|---|---|
| **Total assets (CHF million)** | | | |
| Swiss Universal Bank | 222,164 | 224,866 | 220,359 |
| International Wealth Management | 86,457 | 90,156 | 96,085 |
| Asia Pacific | 93,079 | 92,194 | 85,929 |
| Global Markets | 245,492 | 239,419 | 234,276 |
| Investment Banking & Capital Markets | 19,931 | 22,064 | 18,712 |
| Strategic Resolution Unit | 77,581 | 98,058 | 100,823 |
| Corporate Center | 62,007 | 54,407 | 64,621 |
| **Total assets** | **806,711** | **821,164** | **820,805** |

## 6 Net interest income

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Net interest income (CHF million)** | | | | | |
| Loans | 1,415 | 1,374 | 1,332 | 4,178 | 3,964 |
| Investment securities | 16 | 16 | 18 | 49 | 49 |
| Trading assets | 1,764 | 2,292 | 1,944 | 6,142 | 7,227 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 693 | 710 | 620 | 2,107 | 1,949 |
| Other | 334 | 365 | 508 | 1,088 | 1,626 |
| Interest and dividend income | 4,222 | 4,757 | 4,422 | 13,564 | 14,815 |
| Deposits | (255) | (258) | (213) | (757) | (689) |
| Short-term borrowings | (18) | (22) | (28) | (56) | (90) |
| Trading liabilities | (738) | (1,202) | (789) | (2,964) | (3,095) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (363) | (377) | (300) | (1,116) | (940) |
| Long-term debt | (871) | (854) | (956) | (2,583) | (2,737) |
| Other | (47) | (45) | (52) | (148) | (159) |
| Interest expense | (2,292) | (2,758) | (2,338) | (7,624) | (7,710) |
| **Net interest income** | **1,930** | **1,999** | **2,084** | **5,940** | **7,105** |

## 7 Commissions and fees

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Commissions and fees (CHF million)** | | | | | |
| Lending business | 495 | 452 | 403 | 1,345 | 1,129 |
| Investment and portfolio management | 777 | 779 | 861 | 2,366 | 2,558 |
| Other securities business | 11 | 14 | 11 | 36 | 54 |
| Fiduciary business | 788 | 793 | 872 | 2,402 | 2,612 |
| Underwriting | 371 | 395 | 384 | 988 | 1,316 |
| Brokerage | 682 | 757 | 858 | 2,272 | 2,844 |
| Underwriting and brokerage | 1,053 | 1,152 | 1,242 | 3,260 | 4,160 |
| Other services | 344 | 399 | 375 | 1,144 | 1,229 |
| **Commissions and fees** | **2,680** | **2,796** | **2,892** | **8,151** | **9,130** |

## 8 Trading revenues

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Trading revenues (CHF million)** | | | | | |
| Interest rate products | 1,673 | 1,985 [1] | 49 | 5,377 | 4,212 |
| Foreign exchange products | 300 | (633) [1] | (461) | (915) | (974) |
| Equity/index-related products | (1,066) | (844) | 546 | (3,073) | (739) |
| Credit products | (743) | (734) | 558 | (2,011) | 98 |
| Commodity, emission and energy products | 89 | 16 | (35) | 102 | (17) |
| Other products | (21) | 304 | 144 | 575 | 109 |
| **Trading revenues** | **232** | **94** | **801** | **55** | **2,689** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.
[1] Prior period has been corrected.

▸ Refer to "Note 8 – Trading revenues" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on trading revenues and managing trading risks.

## 9 Other revenues

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Other revenues (CHF million)** | | | | | |
| Noncontrolling interests without SEI | 0 | 1 | 6 | 1 | (8) |
| Loans held-for-sale | (4) | (48) | 9 | (61) | (18) |
| Long-lived assets held-for-sale | 340 | (9) | (27) | 364 | (24) |
| Equity method investments | 34 | 46 | 64 | 129 | 161 |
| Other investments | (4) | 31 | 12 | 11 | 33 |
| Other | 188 | 198 | 144 | 552 | 519 |
| **Other revenues** | **554** | **219** | **208** | **996** | **663** |

## 10 Provision for credit losses

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | | | |
| Provision for loan losses | 62 | (13) | 100 | 175 | 167 |
| Provision for lending-related and other exposures | (7) | (15) | 10 | 2 | 24 |
| **Provision for credit losses** | **55** | **(28)** | **110** | **177** | **191** |

## 11 Compensation and benefits

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | | | |
| Salaries and variable compensation | 2,349 | 2,367 | 2,183 | 6,882 | 7,274 |
| Social security | 163 | 211 | 156 | 521 | 621 |
| Other [1] | 162 | 156 | 168 | 487 | 502 |
| **Compensation and benefits** | **2,674** | **2,734** | **2,507** | **7,890** | **8,397** |

[1] Includes pension and other post-retirement expense of CHF 84 million, CHF 80 million, CHF 82 million, CHF 243 million and CHF 254 million in 3Q16, 2Q16, 3Q15, 9M16 and 9M15, respectively.

## 12 General and administrative expenses

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | | | |
| Occupancy expenses | 252 | 242 | 256 | 742 | 749 |
| IT, machinery, etc. | 290 | 278 | 309 | 865 | 921 |
| Provisions and losses | 365 | 91 | 283 | 534 | 487 |
| Travel and entertainment | 74 | 81 | 82 | 245 | 266 |
| Professional services | 672 | 739 | 858 | 2,215 | 2,234 |
| Amortization and impairment of other intangible assets | 3 | 2 | 5 | 7 | 16 |
| Other | 322 | 327 | 307 | 978 | 1,093 |
| **General and administrative expenses** | **1,978** | **1,760** | **2,100** | **5,586** | **5,766** |

## 13 Restructuring expenses

In connection with the strategic review of the Group, restructuring expenses of CHF 145 million and CHF 91 million and CHF 491 million were recognized in 3Q16, 2Q16 and 9M16, respectively. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards and real estate contract termination costs.

### Restructuring expenses by segment

| in | 3Q16 | 2Q16 | 9M16 |
|---|---|---|---|
| **Restructuring expenses by segment (CHF million)** | | | |
| Swiss Universal Bank | 19 | 4 | 63 |
| International Wealth Management | 15 | 15 | 38 |
| Asia Pacific | 23 | 10 | 34 |
| Global Markets | 52 | 50 | 202 |
| Investment Banking & Capital Markets | 15 | (8) | 34 |
| Strategic Resolution Unit | 21 | 20 | 120 |
| **Total restructuring expenses** | **145** | **91** | **491** |

### Restructuring expenses by type

| in | 3Q16 | 2Q16 | 9M16 |
|---|---|---|---|
| **Restructuring expenses by type (CHF million)** | | | |
| Compensation and benefits-related expenses | 123 | 50 | 355 |
| of which severance expenses | 65 | 61 | 182 |
| of which accelerated deferred compensation | 50 | (21) | 133 |
| of which pension expenses | 8 | 10 | 40 |
| General and administrative-related expenses | 22 | 41 | 136 |
| **Total restructuring expenses** | **145** | **91** | **491** |

### Restructuring provision

| | 3Q16 | | | 2Q16 | | |
|---|---|---|---|---|---|---|
| | Compensation and benefits | General and administrative expenses | Total | Compensation and benefits | General and administrative expenses | Total |
| **Restructuring provision (CHF million)** | | | | | | |
| **Balance at beginning of period** | **189** | **110** | **299** | **193** | **87** | **280** |
| Net additional charges [1] | 65 | 22 | 87 | 61 | 41 | 102 |
| Utilization | (37) | (41) | (78) | (65) | (18) | (83) |
| **Balance at end of period** | **217** | **91** | **308** | **189** | **110** | **299** |

| | 9M16 | | |
|---|---|---|---|
| | Compensation and benefits | General and administrative-related expenses | Total |
| **Restructuring provision (CHF million)** | | | |
| **Balance at beginning of period** | **187** | **12** | **199** |
| Net additional charges | 182 | 136 | 318 [1] |
| Utilization | (152) | (57) | (209) |
| **Balance at end of period** | **217** | **91** | **308** |

[1] The following items for which expense accretion was accelerated in 3Q16, 2Q16 and 9M16 due to the restructuring of the Group are not included in the restructuring provision: unsettled share-based compensation of CHF 42 million, CHF (27) million, CHF 48 million, respectively, and unsettled pension obligations of CHF 6 million, CHF 4 million and CHF 33 million, respectively, which remain classified as a component of total shareholders' equity; and unsettled cash-based deferred compensation of CHF 10 million, CHF 12 million and CHF 92 million, respectively, which remain classified as compensation liabilities. The settlement date for the unsettled share-based compensation remains unchanged at three years.

## 14 Earnings per share

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **41** | **170** | **779** | **(91)** | **2,884** |
| Available for common shares | 41 | 167 | 770 | (94) | 2,830 |
| Available for unvested share-based payment awards | 0 | 3 | 9 | 3 | 54 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **41** | **170** | **779** | **(91)** | **2,884** |
| Available for common shares | 41 | 167 | 770 | (94) | 2,831 |
| Available for unvested share-based payment awards | 0 | 3 | 9 | 3 | 53 |
| **Weighted-average shares outstanding (million)** | | | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **2,092.6** | **2,018.4** | **1,688.0** | **2,030.6** | **1,682.7** |
| Dilutive share options and warrants | 2.8 | 3.7 | 1.0 | 0.0 | 0.9 |
| Dilutive share awards | 52.9 | 43.0 | 54.5 | 0.0 | 43.3 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares** [1] | **2,148.3** | **2,065.1** | **1,743.5** | **2,030.6** [2] | **1,726.9** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **0.2** | **1.2** | **20.4** | **3.9** | **27.8** |
| **Earnings/(loss) per share available for common shares (CHF)** | | | | | |
| **Basic earnings/(loss) per share available for common shares** | **0.02** | **0.08** | **0.46** | **(0.05)** | **1.68** |
| **Diluted earnings/(loss) per share available for common shares** | **0.02** | **0.08** | **0.44** | **(0.05)** | **1.64** |

Prior periods have been adjusted to reflect the increase in the number of shares outstanding as a result of the discount element in the 2015 rights issue, as required under US GAAP.

[1] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 13.4 million, 12.0 million, 6.4 million, 11.0 million and 7.6 million for 3Q16, 2Q16, 3Q15, 9M16 and 9M15, respectively.

[2] Due to the net loss in 9M16, 2.9 million of weighted-average share options and warrants outstanding and 49.9 million of weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

## 15 Trading assets and liabilities

| end of | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|
| **Trading assets (CHF million)** | | | |
| Debt securities | 70,340 | 66,658 | 80,542 |
| Equity securities | 77,267 | 69,814 | 70,961 |
| Derivative instruments [1] | 26,552 | 29,488 | 28,365 |
| Other | 9,711 | 11,659 | 10,869 |
| **Trading assets** | **183,870** | **177,619** | **190,737** |
| **Trading liabilities (CHF million)** | | | |
| Short positions | 24,808 | 24,634 | 25,485 |
| Derivative instruments [1] | 23,085 | 27,048 | 23,486 |
| **Trading liabilities** | **47,893** | **51,682** | **48,971** |

[1] Amounts shown after counterparty and cash collateral netting.

### Cash collateral on derivative instruments

| end of | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|
| **Cash collateral – netted (CHF million)** [1] | | | |
| Cash collateral paid | 36,435 | 39,600 | 31,887 |
| Cash collateral received | 28,270 | 28,971 | 21,942 |
| **Cash collateral – not netted (CHF million)** [2] | | | |
| Cash collateral paid | 6,346 | 10,055 | 7,921 |
| Cash collateral received | 11,860 | 12,773 | 13,989 |

[1] Recorded as cash collateral netting on derivative instruments in Note 22 – Offsetting of financial assets and financial liabilities.

[2] Recorded as cash collateral on derivative instruments in Note 19 – Other assets and other liabilities.

## 16 Investment securities

| end of | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|
| **Investment securities (CHF million)** | | | |
| Securities available-for-sale | 2,377 | 2,611 | 3,090 |
| **Total investment securities** | **2,377** | **2,611** | **3,090** |

### Investment securities by type

| end of | 3Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** |
| **Investment securities by type (CHF million)** | | | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 241 | 22 | 0 | 263 | 273 | 21 | 0 | 294 |
| Debt securities issued by foreign governments | 1,373 | 39 | 0 | 1,412 | 1,382 | 34 | 0 | 1,416 |
| Corporate debt securities | 280 | 0 | 0 | 280 | 285 | 0 | 0 | 285 |
| Residential mortgage-backed securities | 317 | 0 | 0 | 317 | 750 | 0 | 0 | 750 |
| Commercial mortgage-backed securities | 14 | 0 | 0 | 14 | 259 | 0 | 0 | 259 |
| Debt securities available-for-sale | 2,225 | 61 | 0 | 2,286 | 2,949 | 55 | 0 | 3,004 |
| Banks, trust and insurance companies | 69 | 20 | 0 | 89 | 65 | 20 | 0 | 85 |
| Industry and all other | 2 | 0 | 0 | 2 | 1 | 0 | 0 | 1 |
| Equity securities available-for-sale | 71 | 20 | 0 | 91 | 66 | 20 | 0 | 86 |
| **Securities available-for-sale** | **2,296** | **81** | **0** | **2,377** | **3,015** | **75** | **0** | **3,090** |

There were no unrealized losses on investment securities as of the end of 3Q16 and 4Q15. No significant impairment charges were recorded as the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| in | 9M16 | | 9M15 | |
|---|---|---|---|---|
| | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | |
| Proceeds from sales | 9 | 2 | 0 | 16 |
| Realized gains | 0 | 0 | 0 | 1 |

### Amortized cost, fair value and average yield of debt securities

| | Debt securities available-for-sale | | |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **3Q16 (CHF million)** | | | |
| Due within 1 year | 361 | 361 | 0.49 |
| Due from 1 to 5 years | 1,380 | 1,421 | 0.89 |
| Due from 5 to 10 years | 145 | 163 | 1.12 |
| Due after 10 years | 339 | 341 | 7.49 |
| **Total debt securities** | **2,225** | **2,286** | **1.85** |

## 17 Loans, allowance for loan losses and credit quality

▸ Refer to "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on loans, allowance for loan losses, credit quality, value of collateral and impaired loans.

## Loans

| end of | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|
| **Loans (CHF million)** | | | |
| Mortgages | 104,258 | 104,394 | 103,164 |
| Loans collateralized by securities | 37,573 | 36,385 | 37,946 |
| Consumer finance | 3,908 | 3,757 | 3,766 |
| Consumer | 145,739 | 144,536 | 144,876 |
| Real estate | 26,001 | 26,218 | 26,451 |
| Commercial and industrial loans | 81,689 | 81,240 | 77,767 |
| Financial institutions | 18,150 | 18,924 | 21,334 |
| Governments and public institutions | 4,041 | 3,928 | 3,578 |
| Corporate & institutional | 129,881 | 130,310 | 129,130 |
| **Gross loans** | **275,620** | **274,846** | **274,006** |
| of which held at amortized cost | 255,692 | 254,015 | 253,186 |
| of which held at fair value | 19,928 | 20,831 | 20,820 |
| Net (unearned income)/deferred expenses | (148) | (148) | (145) |
| Allowance for loan losses | (866) | (863) | (866) |
| **Net loans** | **274,606** | **273,835** | **272,995** |
| **Gross loans by location (CHF million)** | | | |
| Switzerland | 159,973 | 158,323 | 155,771 |
| Foreign | 115,647 | 116,523 | 118,235 |
| **Gross loans** | **275,620** | **274,846** | **274,006** |
| **Impaired loan portfolio (CHF million)** | | | |
| Non-performing loans | 1,432 | 1,426 | 983 |
| Non-interest-earning loans | 273 | 204 | 272 |
| Non-performing and non-interest-earning loans | 1,705 | 1,630 | 1,255 |
| Restructured loans | 266 | 257 | 282 |
| Potential problem loans | 331 | 417 | 436 |
| Other impaired loans | 597 | 674 | 718 |
| **Gross impaired loans** | **2,302** | **2,304** | **1,973** |

## Allowance for loan losses by loan portfolio

| | 3Q16 | | | 2Q16 | | | 3Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **187** | **676** | **863** | **197** | **765** | **962** | **207** | **515** | **722** |
| Net movements recognized in statements of operations | 46 | 16 | 62 | 7 | (20) | (13) | 30 | 70 | 100 |
| Gross write-offs | (25) | (53) | (78) | (22) | (86) | (108) | (17) | (20) | (37) |
| Recoveries | 4 | 6 | 10 | 2 | 9 | 11 | 2 | 6 | 8 |
| Net write-offs | (21) | (47) | (68) | (20) | (77) | (97) | (15) | (14) | (29) |
| Provisions for interest | 4 | 4 | 8 | 2 | 2 | 4 | 2 | 1 | 3 |
| Foreign currency translation impact and other adjustments, net | 0 | 1 | 1 | 1 | 6 | 7 | 2 | 12 | 14 |
| **Balance at end of period** | **216** | **650** | **866** | **187** | **676** | **863** | **226** | **584** | **810** |
| of which individually evaluated for impairment | 170 | 459 | 629 | 141 | 482 | 623 | 182 | 401 | 583 |
| of which collectively evaluated for impairment | 46 | 191 | 237 | 46 | 194 | 240 | 44 | 183 | 227 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **145,716** | **109,976** | **255,692** | **144,514** | **109,501** | **254,015** | **146,485** | **109,273** | **255,758** |
| of which individually evaluated for impairment [1] | 713 | 1,589 | 2,302 | 650 | 1,654 | 2,304 | 638 | 1,151 | 1,789 |
| of which collectively evaluated for impairment | 145,003 | 108,387 | 253,390 | 143,864 | 107,847 | 251,711 | 145,847 | 108,122 | 253,969 |

[1] Represents gross impaired loans both with and without a specific allowance.

## Allowance for loan losses by loan portfolio (continued)

| | 9M16 | | | 9M15 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | |
| **Balance at beginning of period** | **216** | **650** | **866** | **251** | **507** | **758** |
| Net movements recognized in statements of operations | 53 | 122 | 175 | 61 | 106 | 167 |
| Gross write-offs | (67) | (158) | (225) | (95) | (49) | (144) |
| Recoveries | 9 | 35 | 44 | 8 | 15 | 23 |
| Net write-offs | (58) | (123) | (181) | (87) | (34) | (121) |
| Provisions for interest | 9 | 5 | 14 | 4 | 11 | 15 |
| Foreign currency translation impact and other adjustments, net | (4) | (4) | (8) | (3) | (6) | (9) |
| **Balance at end of period** | **216** | **650** | **866** | **226** | **584** | **810** |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| in | 3Q16 | | | 2Q16 | | | 3Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 30 | 500 | 530 | 0 | 720 | 720 | 110 | 866 | 976 |
| Reclassifications from loans held-for-sale [2] | 0 | 0 | 0 | 0 | 47 | 47 | 0 | 34 | 34 |
| Reclassifications to loans held-for-sale [3] | 0 | 256 | 256 | 509 | 253 | 762 | 0 | 286 | 286 |
| Sales [3] | 0 | 275 | 275 | 0 | 30 | 30 | 0 | 159 | 159 |

| in | 9M16 | | | 9M15 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | |
| Purchases [1] | 30 | 1,915 | 1,945 | 341 | 3,214 | 3,555 |
| Reclassifications from loans held-for-sale [2] | 0 | 125 | 125 | 0 | 192 | 192 |
| Reclassifications to loans held-for-sale [3] | 1,632 | 920 | 2,552 | 0 | 659 | 659 |
| Sales [3] | 0 | 305 | 305 | 0 | 373 | 373 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

## Gross loans held at amortized cost by internal counterparty rating

| | Investment grade | Non-investment grade | | |
|---|---|---|---|---|
| end of | AAA to BBB | BB to C | D | **Total** |
| **3Q16 (CHF million)** | | | | |
| Mortgages | 92,211 | 11,830 | 217 | 104,258 |
| Loans collateralized by securities | 34,811 | 2,558 | 204 | 37,573 |
| Consumer finance | 1,506 | 2,171 | 208 | 3,885 |
| Consumer | 128,528 | 16,559 | 629 | 145,716 |
| Real estate | 19,618 | 5,656 | 93 | 25,367 |
| Commercial and industrial loans | 35,068 | 34,498 | 1,208 | 70,774 |
| Financial institutions | 11,039 | 1,660 | 124 | 12,823 |
| Governments and public institutions | 941 | 56 | 15 | 1,012 |
| Corporate & institutional | 66,666 | 41,870 | 1,440 | 109,976 |
| **Gross loans held at amortized cost** | **195,194** | **58,429** | **2,069** | **255,692** |
| Value of collateral [1] | 179,234 | 50,250 | 1,247 | 230,731 |
| **4Q15 (CHF million)** | | | | |
| Mortgages | 89,966 | 12,950 | 248 | 103,164 |
| Loans collateralized by securities | 36,129 | 1,679 | 138 | 37,946 |
| Consumer finance | 1,247 | 2,272 | 226 | 3,745 |
| Consumer | 127,342 | 16,901 | 612 | 144,855 |
| Real estate | 19,454 | 6,126 | 98 | 25,678 |
| Commercial and industrial loans | 32,995 | 32,365 | 859 | 66,219 |
| Financial institutions | 12,391 | 2,965 | 149 | 15,505 |
| Governments and public institutions | 824 | 105 | 0 | 929 |
| Corporate & institutional | 65,664 | 41,561 | 1,106 | 108,331 |
| **Gross loans held at amortized cost** | **193,006** | **58,462** | **1,718** | **253,186** |
| Value of collateral [1] | 178,649 | 48,422 | 1,063 | 228,134 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, the value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Group's risk management policies and directives, with maximum review periods determined by property type, market liquidity, market transparency and appraisal cost.

## Gross loans held at amortized cost – aging analysis

| | Current | Past due | | | | |
|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31–60 days | 61–90 days | More than 90 days | Total | **Total** |
| **3Q16 (CHF million)** | | | | | | | |
| Mortgages | 103,843 | 164 | 29 | 3 | 219 | 415 | 104,258 |
| Loans collateralized by securities | 37,353 | 15 | 40 | 1 | 164 | 220 | 37,573 |
| Consumer finance | 3,216 | 410 | 39 | 41 | 179 | 669 | 3,885 |
| Consumer | 144,412 | 589 | 108 | 45 | 562 | 1,304 | 145,716 |
| Real estate | 25,187 | 89 | 30 | 0 | 61 | 180 | 25,367 |
| Commercial and industrial loans | 69,139 | 472 | 98 | 127 | 938 | 1,635 | 70,774 |
| Financial institutions | 12,511 | 177 | 7 | 1 | 127 | 312 | 12,823 |
| Governments and public institutions | 1,002 | 5 | 0 | 0 | 5 | 10 | 1,012 |
| Corporate & institutional | 107,839 | 743 | 135 | 128 | 1,131 | 2,137 | 109,976 |
| **Gross loans held at amortized cost** | **252,251** | **1,332** | **243** | **173** | **1,693** | **3,441** | **255,692** |
| **4Q15 (CHF million)** | | | | | | | |
| Mortgages | 102,895 | 80 | 17 | 10 | 162 | 269 | 103,164 |
| Loans collateralized by securities | 37,589 | 214 | 7 | 1 | 135 | 357 | 37,946 |
| Consumer finance | 3,321 | 176 | 36 | 33 | 179 | 424 | 3,745 |
| Consumer | 143,805 | 470 | 60 | 44 | 476 | 1,050 | 144,855 |
| Real estate | 25,595 | 24 | 3 | 1 | 55 | 83 | 25,678 |
| Commercial and industrial loans | 65,129 | 507 | 109 | 69 | 405 | 1,090 | 66,219 |
| Financial institutions | 15,259 | 90 | 45 | 2 | 109 | 246 | 15,505 |
| Governments and public institutions | 928 | 1 | 0 | 0 | 0 | 1 | 929 |
| Corporate & institutional | 106,911 | 622 | 157 | 72 | 569 | 1,420 | 108,331 |
| **Gross loans held at amortized cost** | **250,716** | **1,092** | **217** | **116** | **1,045** | **2,470** | **253,186** |

## Gross impaired loans by category

| | Non-performing and non-interest-earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing | Non-interest-earning | Total | Re-structured | Potential problem | Total | **Total** |
| **3Q16 (CHF million)** | | | | | | | |
| Mortgages | 229 | 11 | 240 | 13 | 44 | 57 | 297 [1] |
| Loans collateralized by securities | 201 | 6 | 207 | 0 | 0 | 0 | 207 |
| Consumer finance | 191 | 18 | 209 | 0 | 0 | 0 | 209 |
| Consumer | 621 | 35 | 656 | 13 | 44 | 57 | 713 |
| Real estate | 61 | 4 | 65 | 0 | 32 | 32 | 97 |
| Commercial and industrial loans | 670 | 181 | 851 | 253 | 222 | 475 | 1,326 |
| Financial institutions | 75 | 53 | 128 | 0 | 23 | 23 | 151 |
| Governments and public institutions | 5 | 0 | 5 | 0 | 10 | 10 | 15 |
| Corporate & institutional | 811 | 238 | 1,049 | 253 | 287 | 540 | 1,589 |
| **Gross impaired loans** | **1,432** | **273** | **1,705** | **266** | **331** | **597** | **2,302** |
| **4Q15 (CHF million)** | | | | | | | |
| Mortgages | 197 | 17 | 214 | 18 | 49 | 67 | 281 [1] |
| Loans collateralized by securities | 108 | 27 | 135 | 0 | 3 | 3 | 138 |
| Consumer finance | 204 | 23 | 227 | 0 | 1 | 1 | 228 |
| Consumer | 509 | 67 | 576 | 18 | 53 | 71 | 647 |
| Real estate | 53 | 19 | 72 | 0 | 29 | 29 | 101 |
| Commercial and industrial loans | 333 | 136 | 469 | 263 | 319 | 582 | 1,051 |
| Financial institutions | 88 | 50 | 138 | 1 | 35 | 36 | 174 |
| Corporate & institutional | 474 | 205 | 679 | 264 | 383 | 647 | 1,326 |
| **Gross impaired loans** | **983** | **272** | **1,255** | **282** | **436** | **718** | **1,973** |

[1] As of the end of 3Q16 and 4Q15, CHF 59 million and CHF 68 million, respectively, were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

## Gross impaired loan detail

| end of | 3Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 216 | 202 | 21 | 209 | 196 | 26 |
| Loans collateralized by securities | 162 | 152 | 48 | 117 | 112 | 15 |
| Consumer finance | 202 | 183 | 101 | 221 | 201 | 129 |
| Consumer | 580 | 537 | 170 | 547 | 509 | 170 |
| Real estate | 77 | 71 | 10 | 76 | 72 | 10 |
| Commercial and industrial loans | 1,006 | 980 | 394 | 815 | 796 | 387 |
| Financial institutions | 131 | 126 | 55 | 172 | 166 | 83 |
| Governments and public institutions | 15 | 15 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 1,229 | 1,192 | 459 | 1,063 | 1,034 | 480 |
| **Gross impaired loans with a specific allowance** | **1,809** | **1,729** | **629** | **1,610** | **1,543** | **650** |
| Mortgages | 81 | 81 | – | 72 | 71 | – |
| Loans collateralized by securities | 45 | 45 | – | 21 | 22 | – |
| Consumer finance | 7 | 7 | – | 7 | 7 | – |
| Consumer | 133 | 133 | – | 100 | 100 | – |
| Real estate | 20 | 20 | – | 25 | 25 | – |
| Commercial and industrial loans | 320 | 320 | – | 236 | 236 | – |
| Financial institutions | 20 | 20 | – | 2 | 2 | – |
| Corporate & institutional | 360 | 360 | – | 263 | 263 | – |
| **Gross impaired loans without specific allowance** | **493** | **493** | **–** | **363** | **363** | **–** |
| **Gross impaired loans** | **2,302** | **2,222** | **629** | **1,973** | **1,906** | **650** |
| of which consumer | 713 | 670 | 170 | 647 | 609 | 170 |
| of which corporate & institutional | 1,589 | 1,552 | 459 | 1,326 | 1,297 | 480 |

## Gross impaired loan detail (continued)

| in | 3Q16 | | | 2Q16 | | | 3Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 195 | 0 | 0 | 185 | 1 | 1 | 192 | 1 | 0 |
| Loans collateralized by securities | 176 | 0 | 0 | 121 | 0 | 0 | 109 | 0 | 0 |
| Consumer finance | 204 | 0 | 0 | 203 | 0 | 0 | 229 | 0 | 0 |
| Consumer | 575 | 0 | 0 | 509 | 1 | 1 | 530 | 1 | 0 |
| Real estate | 69 | 1 | 0 | 66 | 0 | 0 | 75 | 0 | 0 |
| Commercial and industrial loans | 973 | 3 | 2 | 1,034 | 2 | 0 | 635 | 3 | 1 |
| Financial institutions | 146 | 0 | 0 | 164 | 1 | 0 | 135 | 0 | 0 |
| Governments and public institutions | 3 | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 1,191 | 4 | 2 | 1,269 | 3 | 0 | 845 | 3 | 1 |
| **Gross impaired loans with a specific allowance** | **1,766** | **4** | **2** | **1,778** | **4** | **1** | **1,375** | **4** | **1** |
| Mortgages | 90 | 1 | 0 | 102 | 1 | 0 | 46 | 2 | 0 |
| Loans collateralized by securities | 10 | 0 | 0 | 18 | 0 | 0 | 43 | (1) | 0 |
| Consumer finance | 7 | 0 | 0 | 23 | 0 | 0 | 7 | 0 | 0 |
| Consumer | 107 | 1 | 0 | 143 | 1 | 0 | 96 | 1 | 0 |
| Real estate | 23 | 0 | 0 | 47 | 0 | 0 | 5 | 0 | 0 |
| Commercial and industrial loans | 375 | 2 | 0 | 307 | 1 | 0 | 146 | 2 | 1 |
| Financial institutions | 3 | 0 | 0 | 0 | 0 | 0 | 9 | 0 | 0 |
| Governments and public institutions | 13 | 0 | 0 | 8 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 414 | 2 | 0 | 362 | 1 | 0 | 160 | 2 | 1 |
| **Gross impaired loans without specific allowance** | **521** | **3** | **0** | **505** | **2** | **0** | **256** | **3** | **1** |
| **Gross impaired loans** | **2,287** | **7** | **2** | **2,283** | **6** | **1** | **1,631** | **7** | **2** |
| of which consumer | 682 | 1 | 0 | 652 | 2 | 1 | 626 | 2 | 0 |
| of which corporate & institutional | 1,605 | 6 | 2 | 1,631 | 4 | 0 | 1,005 | 5 | 2 |

## Gross impaired loan detail (continued)

| in | 9M16 | | | 9M15 | | |
|---|---|---|---|---|---|---|
| | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 192 | 1 | 1 | 183 | 2 | 1 |
| Loans collateralized by securities | 137 | 0 | 0 | 69 | 0 | 0 |
| Consumer finance | 208 | 0 | 0 | 229 | 1 | 1 |
| Consumer | 537 | 1 | 1 | 481 | 3 | 2 |
| Real estate | 70 | 1 | 0 | 69 | 0 | 0 |
| Commercial and industrial loans | 973 | 8 | 3 | 588 | 6 | 3 |
| Financial institutions | 159 | 1 | 0 | 140 | 1 | 1 |
| Governments and public institutions | 2 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 1,204 | 10 | 3 | 797 | 7 | 4 |
| **Gross impaired loans with a specific allowance** | **1,741** | **11** | **4** | **1,278** | **10** | **6** |
| Mortgages | 88 | 3 | 0 | 54 | 3 | 0 |
| Loans collateralized by securities | 18 | 0 | 0 | 36 | 0 | 0 |
| Consumer finance | 12 | 0 | 0 | 7 | 0 | 0 |
| Consumer | 118 | 3 | 0 | 97 | 3 | 0 |
| Real estate | 33 | 0 | 0 | 9 | 0 | 0 |
| Commercial and industrial loans | 303 | 5 | 0 | 65 | 2 | 1 |
| Financial institutions | 2 | 0 | 0 | 4 | 0 | 0 |
| Governments and public institutions | 7 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 345 | 5 | 0 | 78 | 2 | 1 |
| **Gross impaired loans without specific allowance** | **463** | **8** | **0** | **175** | **5** | **1** |
| **Gross impaired loans** | **2,204** | **19** | **4** | **1,453** | **15** | **7** |
| of which consumer | 655 | 4 | 1 | 578 | 6 | 2 |
| of which corporate & institutional | 1,549 | 15 | 3 | 875 | 9 | 5 |

## Restructured loans held at amortized cost

| in | 3Q16 | | | 2Q16 | | | 3Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | | | | |
| Mortgages | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 13 | 13 |
| Loans collateralized by securities | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| Commercial and industrial loans | 3 | 64 | 64 | 3 | 44 | 44 | 1 | 5 | 5 |
| **Total** | **3** | **64** | **64** | **3** | **44** | **44** | **3** | **18** | **18** |

| in | 9M16 | | | 9M15 | | |
|---|---|---|---|---|---|---|
| | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | |
| Mortgages | 0 | 0 | 0 | 1 | 13 | 13 |
| Loans collateralized by securities | 0 | 0 | 0 | 1 | 0 | 0 |
| Commercial and industrial loans | 11 | 123 | 123 | 5 | 97 | 104 |
| **Total** | **11** | **123** | **123** | **7** | **110** | **117** |

In 9M15, the Group reported the default of one loan within commercial and industrial loans with a recorded investment amount of CHF 65 million, which had been restructured within the previous 12 months. In 3Q16, 2Q16, 3Q15 and 9M16, the Group did not experience a default on any loan that had been restructured within the previous 12 months.

In 9M16, the loan modifications of the Group included extended loan repayment and interest payment terms, including the suspension of annual contractual credit limit reductions, cash margin requirements on new trade finance transactions, waiver of covenants, release of corporate guarantees, waiver of interest and margin reductions.

## 18 Goodwill

### Goodwill

| 3Q16 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse Group** |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **609** | **1,540** | **2,277** | **3,178** | **1,020** | **12** | **8,636** |
| Foreign currency translation impact | (2) | (8) | (5) | (2) | (3) | 0 | **(20)** |
| **Balance at end of period** | **607** | **1,532** | **2,272** | **3,176** | **1,017** | **12** | **8,616** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Balance at end of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **607** | **1,532** | **1,500** | **457** | **629** | **0** | **4,725** |

| 9M16 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse Group** |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **610** | **1,573** | **2,294** | **3,183** | **1,027** | **12** | **8,699** |
| Goodwill acquired during the year | 5 | 0 | 0 | 0 | 0 | 0 | **5** |
| Foreign currency translation impact | (7) | (36) | (21) | (7) | (10) | 0 | **(81)** |
| Other | (1) | (5) | (1) | 0 | 0 | 0 | **(7)** |
| **Balance at end of period** | **607** | **1,532** | **2,272** | **3,176** | **1,017** | **12** | **8,616** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Balance at end of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **607** | **1,532** | **1,500** | **457** | **629** | **0** | **4,725** |

In accordance with US GAAP, the Group continually assesses whether or not there has been a triggering event requiring a review of goodwill. There was no triggering event in 3Q16. As of September 30, 2016, the Group's market capitalization was below book value.

On March 23, 2016, the Group announced a number of strategy measures affecting its Global Markets and Strategic Resolution Unit segments, including business exits and other business reductions in Global Markets. During 2Q16, these strategy measures were implemented together with additional actions that also impacted the Group's other business segments. The Group determined that these changes constituted triggering events. The Group's reporting units were not changed as a result of this announcement and remain defined as follows: Swiss Universal Bank – Private Banking, Swiss Universal Bank – Corporate & Institutional Banking, International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Private Banking, Asia Pacific – Investment Banking, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit.

The carrying value of each reporting unit for purposes of the goodwill impairment test is determined by considering the reporting units' risk-weighted assets usage, leverage ratio exposure, deferred tax assets, goodwill and intangible assets. Any residual equity, after considering the total of these elements, is allocated to the reporting units on a pro-rata basis.

In estimating the fair value of its reporting units, the Group applied a combination of the market approach and income approach. Under the market approach, consideration was given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries.

Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows, which are determined from the Group's financial plan.

In determining the estimated fair value, the Group relied upon its updated five-year strategic business plan which included significant management assumptions and estimates based on its view of current and future economic conditions and regulatory changes.

Goodwill is tested for impairment before and immediately after a reorganization or restructuring of reporting units. As a result, the goodwill impairment test was performed as of March 31, 2016 under the old business structure and then again under the modified structure according to the announcement on March 23, 2016. The goodwill impairment analysis performed as of June 30, 2016 considered the impact from the additional actions in 2Q16 and the Group concluded that the estimated fair value for all of its reporting units with goodwill substantially exceeded their related carrying values and that no impairment was necessary.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets reporting unit as of March 31, 2016. The valuations were also performed using a combination of the market approach and income approach.

The results of the impairment evaluation of each reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a significant margin from its best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, the Group could potentially incur material impairment charges in the future.

## 19 Other assets and other liabilities

| end of | **3Q16** | 2Q16 | 4Q15 |
|---|---|---|---|
| **Other assets (CHF million)** | | | |
| Cash collateral on derivative instruments | 6,346 | 10,055 | 7,921 |
| Cash collateral on non-derivative transactions | 911 | 987 | 327 |
| Derivative instruments used for hedging | 184 | 168 | 186 |
| Assets held-for-sale | 14,646 | 12,972 | 26,061 |
| of which loans [1] | 14,471 | 12,782 | 25,839 |
| of which real estate [2] | 146 | 161 | 182 |
| of which long-lived assets | 29 | 29 | 40 |
| Assets held for separate accounts | 409 | 625 | 1,307 |
| Interest and fees receivable | 4,587 | 5,370 | 5,658 |
| Deferred tax assets | 6,485 | 6,319 | 6,179 |
| Prepaid expenses | 454 | 528 | 448 |
| Failed purchases | 2,540 | 2,923 | 2,770 |
| Other | 6,036 | 6,336 | 7,160 |
| **Other assets** | **42,598** | **46,283** | **58,017** |
| **Other liabilities (CHF million)** | | | |
| Cash collateral on derivative instruments | 11,860 | 12,773 | 13,989 |
| Cash collateral on non-derivative transactions | 346 | 360 | 518 |
| Derivative instruments used for hedging | 182 | 303 | 110 |
| Deposits held-for-sale | 2,123 | 2,420 | 0 |
| Provisions | 1,780 | 1,532 | 1,851 |
| of which off-balance sheet risk | 86 | 95 | 88 |
| Restructuring liabilities | 308 | 299 | 199 |
| Liabilities held for separate accounts | 409 | 625 | 1,307 |
| Interest and fees payable | 5,650 | 6,225 | 6,011 |
| Current tax liabilities | 859 | 757 | 608 |
| Deferred tax liabilities | 50 | 48 | 54 |
| Failed sales | 1,010 | 1,102 | 1,551 |
| Other | 13,161 | 13,081 | 16,033 |
| **Other liabilities** | **37,738** | **39,525** | **42,231** |

[1] Included as of the end of 3Q16, 2Q16 and 4Q15 were CHF 749 million, CHF 802 million and CHF 1,135 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 69 million, CHF 72 million and CHF 60 million, respectively, in loans held in trusts, which were consolidated as a result of failed sales under US GAAP.

[2] As of the end of 3Q16, 2Q16 and 4Q15, real estate held-for-sale included foreclosed or repossessed real estate of CHF 24 million, CHF 21 million and CHF 31 million, respectively, of which CHF 16 million, CHF 13 million and CHF 3 million, respectively were related to residential real estate.

## 20 Long-term debt

### Long-term debt

| end of | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|
| **Long-term debt (CHF million)** | | | |
| Senior | 171,286 | 174,394 | 157,986 |
| Subordinated | 22,203 | 24,052 | 24,796 |
| Non-recourse liabilities from consolidated VIEs | 1,966 | 1,780 | 14,826 |
| **Long-term debt** | **195,455** | **200,226** | **197,608** |
| of which reported at fair value | 74,997 | 73,922 | 80,931 |
| of which structured notes | 61,712 | 60,446 | 54,848 |

### Structured notes by product

| end of | 3Q16 | 2Q16 | 4Q15 |
|---|---|---|---|
| **Structured notes (CHF million)** | | | |
| Equity | 36,341 | 35,490 | 35,594 |
| Fixed income | 16,564 | 16,398 | 11,534 |
| Credit | 5,546 | 5,618 | 5,261 |
| Other | 3,261 | 2,940 | 2,459 |
| **Total structured notes** | **61,712** | **60,446** | **54,848** |

## 21 Accumulated other comprehensive income and additional share information

### Accumulated other comprehensive income/(loss)

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | Gains/ (losses) on liabilities relating to credit risk | **Accumulated other comprehensive income/ (loss)** |
|---|---|---|---|---|---|---|---|
| **3Q16 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **51** | **(13,121)** | **67** | **(4,485)** | **554** | **1,672** | **(15,262)** |
| Increase/(decrease) | (28) | (214) | (1) | 13 | 0 | (852) | (1,082) |
| Increase/(decrease) due to equity method investments | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Reclassification adjustments, included in net income/(loss) | (6) | 2 | 0 | 82 | (24) | 0 | 54 |
| Total increase/(decrease) | (32) | (212) | (1) | 95 | (24) | (852) | (1,026) |
| **Balance at end of period** | **19** | **(13,333)** | **66** | **(4,390)** | **530** | **820** | **(16,288)** |
| **2Q16 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **31** | **(13,452)** | **65** | **(4,567)** | **579** | **1,741** | **(15,603)** |
| Increase/(decrease) | 26 | 322 | 2 | 0 | 0 | (69) | 281 |
| Increase/(decrease) due to equity method investments | (3) | 0 | 0 | 0 | 0 | 0 | (3) |
| Reclassification adjustments, included in net income/(loss) | (3) | 9 | 0 | 82 | (25) | 0 | 63 |
| Total increase/(decrease) | 20 | 331 | 2 | 82 | (25) | (69) | 341 |
| **Balance at end of period** | **51** | **(13,121)** | **67** | **(4,485)** | **554** | **1,672** | **(15,262)** |
| **3Q15 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **8** | **(13,970)** | **62** | **(3,829)** | **409** | **–** | **(17,320)** |
| Increase/(decrease) | 21 | 1,095 | 0 | (17) | 0 | – | 1,099 |
| Increase/(decrease) due to equity method investments | (3) | 0 | 0 | 0 | 0 | – | (3) |
| Reclassification adjustments, included in net income/(loss) | 4 | 0 | 0 | 89 | (20) | – | 73 |
| Total increase/(decrease) | 22 | 1,095 | 0 | 72 | (20) | – | 1,169 |
| **Balance at end of period** | **30** | **(12,875)** | **62** | **(3,757)** | **389** | **–** | **(16,151)** |
| **9M16 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(15)** | **(12,615)** | **60** | **(4,672)** | **607** | **–** | **(16,635)** |
| Increase/(decrease) | 45 | (778) | 6 | 35 | 0 | 345 | (347) |
| Increase/(decrease) due to equity method investments | (4) | 0 | 0 | 0 | 0 | 0 | (4) |
| Reclassification adjustments, included in net income/(loss) | (7) | 60 | 0 | 247 | (77) | 0 | 223 |
| Cumulative effect of accounting changes, net of tax | 0 | 0 | 0 | 0 | 0 | 475 | 475 |
| Total increase/(decrease) | 34 | (718) | 6 | 282 | (77) | 820 | 347 |
| **Balance at end of period** | **19** | **(13,333)** | **66** | **(4,390)** | **530** | **820** | **(16,288)** |
| **9M15 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(31)** | **(11,478)** | **64** | **(4,010)** | **452** | **–** | **(15,003)** |
| Increase/(decrease) | 64 | (1,403) | (1) | (10) | 0 | – | (1,350) |
| Increase/(decrease) due to equity method investments | (20) | 0 | 0 | 0 | 0 | – | (20) |
| Reclassification adjustments, included in net income/(loss) | 17 | 6 | (1) | 263 | (63) | – | 222 |
| Total increase/(decrease) | 61 | (1,397) | (2) | 253 | (63) | – | (1,148) |
| **Balance at end of period** | **30** | **(12,875)** | **62** | **(3,757)** | **389** | **–** | **(16,151)** |

## Details on significant reclassification adjustments

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Reclassification adjustments, included in net income/(loss) (CHF million)** | | | | | |
| **Cumulative translation adjustments** | | | | | |
| Reclassification adjustments [1] | **2** | **9** | **0** | **60** | **6** |
| **Actuarial gains/(losses)** | | | | | |
| Amortization of recognized actuarial losses [2] | 105 | 105 | 113 | 317 | 335 |
| Tax expense/(benefit) | (23) | (23) | (24) | (70) | (72) |
| **Net of tax** | **82** | **82** | **89** | **247** | **263** |
| **Net prior service credit/(cost)** | | | | | |
| Amortization of recognized prior service credit/(cost) [2] | (30) | (32) | (26) | (98) | (83) |
| Tax expense | 6 | 7 | 6 | 21 | 20 |
| **Net of tax** | **(24)** | **(25)** | **(20)** | **(77)** | **(63)** |

[1] Includes net releases of CHF 2 million, CHF 3 million and CHF 52 million on the sale of Credit Suisse (Gibraltar) Limited in 3Q16, 2Q16 and 1Q16, respectively. These were reclassified from cumulative translation adjustments and included in net income in other revenues.
[2] These components are included in the computation of total benefit costs. Refer to "Note 25 – Pension and other post-retirement benefits" for further information.

## Additional share information

| | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Common shares issued** | | | | | |
| **Balance at beginning of period** | **2,089,897,378** | **1,957,379,244** | **1,638,395,346** | **1,957,379,244** | **1,607,168,947** |
| Issuance of common shares | 0 | 132,518,134 | 0 | 132,518,134 | 31,226,399 |
| of which share-based compensation | 0 | 30,000,000 | 0 | 30,000,000 | 0 |
| **Balance at end of period** | **2,089,897,378** | **2,089,897,378** | **1,638,395,346** | **2,089,897,378** | **1,638,395,346** |
| **Treasury shares** | | | | | |
| **Balance at beginning of period** | **(8,533,613)** | **(10,939,863)** | **(5,966,908)** | **(5,910,224)** | **(7,666,658)** |
| Sale of treasury shares | 346,218,308 | 474,842,916 | 181,750,773 | 1,011,408,538 | 483,262,125 |
| Repurchase of treasury shares | (340,446,685) | (482,072,771) | (181,621,407) | (1,018,608,827) | (523,768,128) |
| Share-based compensation | 1,199,850 | 9,636,105 | 1,166,915 | 11,548,373 | 43,502,034 |
| **Balance at end of period** | **(1,562,140)** | **(8,533,613)** | **(4,670,627)** | **(1,562,140)** | **(4,670,627)** |
| **Common shares outstanding** | | | | | |
| **Balance at end of period** | **2,088,335,238** [1] | **2,081,363,765** [2] | **1,633,724,719** [3] | **2,088,335,238** [1] | **1,633,724,719** [3] |

[1] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 653,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 415,099,918 of these shares were reserved for capital instruments.
[2] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 653,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 518,996,021 of these shares were reserved for capital instruments.
[3] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.

## 22 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:

- are offset in the Group's consolidated balance sheets; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

**Derivatives**

The Group transacts bilateral OTC derivatives mainly under the International Swaps and Derivatives Association (ISDA) Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Group to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values (PRV/NRV) and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Exchange-traded derivatives or OTC-cleared derivatives, that are fully margined and for which the daily margin payments constitute settlement of the outstanding exposure, are not included in the offsetting disclosures because they are not subject to offsetting due to the daily settlement. The daily margin payments, which are not settled until the next settlement cycle is conducted, are presented in brokerage receivables or brokerage payables. The notional amount for these daily settled derivatives is included in the fair value of derivative instruments table in "Note 26 – Derivatives and hedging activities".

Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and trading liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of derivatives

| end of | 3Q16 | | 4Q15 | |
|---|---|---|---|---|
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 15.2 | 11.8 | 15.7 | 14.5 |
| OTC | 175.0 | 169.3 | 153.0 | 146.5 |
| Exchange-traded | 0.1 | 0.1 | 0.0 | 0.0 |
| **Interest rate products** | **190.3** | **181.2** | **168.7** | **161.0** |
| OTC-cleared | 0.0 | 0.2 | 0.0 | 0.0 |
| OTC | 41.9 | 50.9 | 58.1 | 68.2 |
| Exchange-traded | 0.4 | 0.0 | 0.3 | 0.3 |
| **Foreign exchange products** | **42.3** | **51.1** | **58.4** | **68.5** |
| OTC | 11.1 | 12.6 | 12.0 | 13.3 |
| Exchange-traded | 12.0 | 15.0 | 8.9 | 11.2 |
| **Equity/index-related products** | **23.1** | **27.6** | **20.9** | **24.5** |
| OTC-cleared | 2.6 | 2.8 | 3.8 | 4.0 |
| OTC | 6.6 | 7.0 | 13.5 | 12.4 |
| **Credit derivatives** | **9.2** | **9.8** | **17.3** | **16.4** |
| OTC | 2.2 | 1.0 | 2.6 | 1.5 |
| Exchange-traded | 0.0 | 0.1 | 0.1 | 0.1 |
| **Other products** | **2.2** | **1.1** | **2.7** | **1.6** |
| OTC-cleared | 17.8 | 14.8 | 19.5 | 18.5 |
| OTC | 236.8 | 240.8 | 239.2 | 241.9 |
| Exchange-traded | 12.5 | 15.2 | 9.3 | 11.6 |
| **Total gross derivatives subject to enforceable master netting agreements** | **267.1** | **270.8** | **268.0** | **272.0** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (15.2) | (14.6) | (19.0) | (18.5) |
| OTC | (218.2) | (225.5) | (217.1) | (226.5) |
| Exchange-traded | (11.7) | (13.1) | (9.0) | (9.9) |
| **Offsetting** | **(245.1)** | **(253.2)** | **(245.1)** | **(254.9)** |
| of which counterparty netting | (216.8) | (216.8) | (223.0) | (223.0) |
| of which cash collateral netting | (28.3) | (36.4) | (22.1) | (31.9) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 2.6 | 0.2 | 0.5 | 0.0 |
| OTC | 18.6 | 15.3 | 22.1 | 15.4 |
| Exchange-traded | 0.8 | 2.1 | 0.3 | 1.7 |
| **Total net derivatives subject to enforceable master netting agreements** | **22.0** | **17.6** | **22.9** | **17.1** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **4.7** | **5.7** | **5.7** | **6.5** |
| **Total net derivatives presented in the consolidated balance sheets** | **26.7** | **23.3** | **28.6** | **23.6** |
| of which recorded in trading assets and trading liabilities | 26.5 | 23.1 | 28.4 | 23.5 |
| of which recorded in other assets and other liabilities | 0.2 | 0.2 | 0.2 | 0.1 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

### Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Transactions under such agreements are netted in the consolidated balance sheets if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheets if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheets. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheets.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of September 30, 2016 and December 31, 2015. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

**Offsetting of securities purchased under resale agreements and securities borrowing transactions**

| end of | 3Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | **Net** | Gross | Offsetting | **Net** |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 83.8 | (19.1) | 64.7 | 92.0 | (19.6) | 72.4 |
| Securities borrowing transactions | 20.5 | (4.2) | 16.3 | 21.4 | (3.9) | 17.5 |
| **Total subject to enforceable master netting agreements** | **104.3** | **(23.3)** | **81.0** | **113.4** | **(23.5)** | **89.9** |
| **Total not subject to enforceable master netting agreements** [1] | **33.8** | **–** | **33.8** | **33.1** | **–** | **33.1** |
| **Total** | **138.1** | **(23.3)** | **114.8** [2] | **146.5** | **(23.5)** | **123.0** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

[2] CHF 77,237 million and CHF 83,565 million of the total net amount as of the end of 3Q16 and 4Q15, respectively, are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

### Offsetting of securities sold under repurchase agreements and securities lending transactions

| end of | 3Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | **Net** | Gross | Offsetting | **Net** |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 43.3 | (21.0) | 22.3 | 43.2 | (21.4) | 21.8 |
| Securities lending transactions | 7.3 | (2.3) | 5.0 | 9.8 | (2.1) | 7.7 |
| Obligation to return securities received as collateral, at fair value | 26.5 | 0.0 | 26.5 | 19.4 | 0.0 | 19.4 |
| **Total subject to enforceable master netting agreements** | **77.1** | **(23.3)** | **53.8** | **72.4** | **(23.5)** | **48.9** |
| **Total not subject to enforceable master netting agreements** [1] | **6.2** | **–** | **6.2** | **26.2** | **–** | **26.2** |
| **Total** | **83.3** | **(23.3)** | **60.0** | **98.6** | **(23.5)** | **75.1** |
| of which securities sold under repurchase agreements and securities lending transactions | 55.6 | (23.3) | 32.3 [2] | 70.1 | (23.5) | 46.6 [2] |
| of which obligation to return securities received as collateral, at fair value | 27.7 | 0.0 | 27.7 | 28.5 | 0.0 | 28.5 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 19,861 million and CHF 32,398 million of the total net amount as of the end of 3Q16 and 4Q15, respectively, are reported at fair value.

The following table presents the net amount presented in the consolidated balance sheets of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheets. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

### Amounts not offset in the consolidated balance sheets

| end of | 3Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 22.0 | 6.8 | 0.0 | 15.2 | 22.9 | 6.2 | 0.8 | 15.9 |
| Securities purchased under resale agreements | 64.7 | 64.7 | 0.0 | 0.0 | 72.4 | 72.4 | 0.0 | 0.0 |
| Securities borrowing transactions | 16.3 | 15.5 | 0.0 | 0.8 | 17.5 | 17.1 | 0.0 | 0.4 |
| **Total financial assets subject to enforceable master netting agreements** | **103.0** | **87.0** | **0.0** | **16.0** | **112.8** | **95.7** | **0.8** | **16.3** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 17.6 | 5.3 | 0.0 | 12.3 | 17.1 | 3.4 | 0.0 | 13.7 |
| Securities sold under repurchase agreements | 22.3 | 22.3 | 0.0 | 0.0 | 21.8 | 21.8 | 0.0 | 0.0 |
| Securities lending transactions | 5.0 | 5.0 | 0.0 | 0.0 | 7.7 | 7.4 | 0.0 | 0.3 |
| Obligation to return securities received as collateral, at fair value | 26.5 | 25.4 | 0.0 | 1.1 | 19.4 | 18.5 | 0.0 | 0.9 |
| **Total financial liabilities subject to enforceable master netting agreements** | **71.4** | **58.0** | **0.0** | **13.4** | **66.0** | **51.1** | **0.0** | **14.9** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of credit default swaps (CDS) and credit insurance contracts. Therefore, the net exposure presented in the table above is not representative of the Group's counterparty exposure.

## 23 Tax

The income tax expense of CHF 185 million recorded in 3Q16 mainly reflected the impact of the geographical mix of results.

The quarterly income tax expense includes the impact of the continuous reassessment of the estimated annual effective tax rate as well as the impact of items that need to be recorded in the specific interim period in which they occur.

Net deferred tax assets related to net operating losses, net deferred tax assets on temporary differences and net deferred tax liabilities are presented in the following manner. Nettable gross deferred tax liabilities are allocated on a pro-rata basis to gross deferred tax assets on net operating losses and gross deferred tax assets on temporary differences. This approach is aligned with the underlying treatment of netting gross deferred tax assets and liabilities under the Basel III framework. Valuation allowances have been allocated against such deferred tax assets on net operating losses first with any remainder allocated to such deferred tax assets on temporary differences. This presentation is considered the most appropriate disclosure given the underlying nature of the gross deferred tax balances.

As of September 30, 2016, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 5.4 billion which are considered indefinitely reinvested. The Group would need to accrue and pay taxes on these undistributed earnings if such earnings were repatriated. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date. It is reasonably possible that there will be a decrease between zero and CHF 7 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Japan – 2012; Switzerland – 2011; Brazil – 2010; the US – 2010; the UK – 2009; and the Netherlands – 2005.

### Effective tax rate

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Effective tax rate (%)** | **83.3** | 10.6 | 9.7 | **(42.9)** | 28.6 |

### Tax expense reconciliation

| in | 3Q16 |
|---|---|
| CHF million | |
| **Income tax expense computed at the Swiss statutory tax rate of 22%** | **49** |
| Increase/(decrease) in income taxes resulting from | |
| Foreign tax rate differential | 39 |
| Changes in tax law and rates | 12 |
| Other non-deductible expenses | 72 |
| Changes in deferred tax valuation allowance | (24) |
| Lower taxed income | 53 |
| Change in recognition of outside basis difference | 82 |
| Other | (98) |
| **Income tax expense** | **185** |

#### Foreign tax rate differential

3Q16 included a foreign tax expense of CHF 39 million in respect of earnings in higher tax jurisdictions, such as the US, as well as earnings in lower tax jurisdictions, such as Singapore.

#### Other non-deductible expenses

3Q16 included the impact of CHF 114 million relating to the non-deductible portion of the litigation provisions and settlement charges, partially offset by the reversal of the over-accrual of non-deductible interest expenses of CHF 33 million and non-deductible bank levy costs and other non-deductible expenses of CHF 9 million.

#### Changes in deferred tax valuation allowance

3Q16 included the impact of the decrease of valuation allowances of CHF 44 million mainly in respect of two of the Group's operating entities, both in the UK, and an increase of valuation allowances of CHF 20 million mainly in respect of two the Group's operating entities in the UK and Asia, related to estimated current year earnings.

#### Lower taxed income

3Q16 included the partial reversal of the previously reported impacts of a beneficial earnings mix in one of the Group's operating entities in Switzerland of CHF 43 million, CHF 9 million related to non-taxable life insurance income and CHF 1 million related to exempt income.

#### Change in recognition of outside basis difference

3Q16 included a CHF 82 million income tax expense related to a change in the outside basis difference relating to Swiss subsidiary investments.

### Other

3Q16 included a tax benefit of CHF 169 million relating to the reassessment of deferred tax balances in one of the Group's operating entities in Switzerland and a tax benefit of CHF 17 million from the reduction in own-credit revaluation gains. It also included a tax charge of CHF 86 million relating to the increase of tax contingency accruals for income tax, associated interest and penalties relating to two Italian income tax matters which have been resolved as part of an agreement with the Italian tax authorities. The remaining balance included various smaller items.

▸ Refer to "Note 31 – Litigation" for further information on the Italian tax matters.

### Net deferred tax assets

| end of | 3Q16 | 2Q16 |
|---|---|---|
| **Net deferred tax assets (CHF million)** | | |
| Deferred tax assets | 6,485 | 6,319 |
| of which net operating losses | 2,956 | 2,594 |
| of which deductible temporary differences | 3,529 | 3,725 |
| Deferred tax liabilities | (50) | (48) |
| **Net deferred tax assets** | **6,435** | **6,271** |

## 24 Employee deferred compensation

The Group's current and previous deferred compensation plans include share awards, performance share awards, Contingent Capital Awards, Capital Opportunity Facility awards, Plus Bond awards, Partner Asset Facilities awards, Restricted Cash Awards and other cash awards.

▸ Refer to "Note 29 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

The following tables show the compensation expense for deferred compensation awards recognized in the consolidated statements of operations, the estimated unrecognized expense for deferred compensation awards granted in 3Q16 and prior periods and the remaining requisite service period over which the unrecognized expense will be recognized. The estimated unrecognized compensation expense was based on the fair value of each award on the grant date and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments.

### Deferred compensation expense

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | | | |
| Share awards | 145 | 141 | 211 | 481 | 657 |
| Performance share awards | 80 | 87 | 133 | 286 | 437 |
| Contingent Capital Awards | 84 | 43 | 67 | 146 | 263 |
| Contingent Capital share awards | 10 | 6 | – | 16 | – |
| Capital Opportunity Facility awards | 4 | 3 | 4 | 10 | 11 |
| Plus Bond awards [1] | 0 | 0 | 5 | 5 | 16 |
| 2011 Partner Asset Facility awards [2] | 0 | 0 | 0 | 0 | 1 |
| Restricted Cash Awards | 0 | 0 | 9 | 0 | 30 |
| 2008 Partner Asset Facility awards [3] | 21 | (8) | 41 | 5 | 63 |
| Other cash awards | 107 | 102 | 83 | 242 | 301 |
| **Total deferred compensation expense** | **451** | **374** | **553** | **1,191** | **1,779** |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in 1Q13 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in underlying fair value of the indexed assets prior to the Contingent Capital Awards conversion.
[3] Compensation expense mainly includes the change in underlying fair value of the indexed assets during the period.

### Estimated unrecognized deferred compensation

| end of | 3Q16 |
|---|---|
| **Estimated unrecognized compensation expense (CHF million)** | |
| Share awards | 592 |
| Performance share awards | 210 |
| Contingent Capital Awards | 155 |
| Contingent Capital share awards | 36 |
| Other cash awards | 247 |
| **Total** | **1,240** |
| **Weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.2 |

In 3Q16, the Group granted deferred share and cash retention awards of a further CHF 66 million, completing the program initiated in 2Q16 relating to the reorganization of the Global Markets and Investment Banking & Capital Markets businesses. These will be expensed over a period of up to seven years from the grant date. Amortization of these awards totaled CHF 63 million year-to-date and was recognized in the Corporate Center.

### Share-based award activity

| | 3Q16 | | | 9M16 | | |
|---|---|---|---|---|---|---|
| Number of awards (in millions) | Share awards | Performance share awards | Contingent Capital share awards | Share awards | Performance share awards | Contingent Capital share awards |
| **Share-based award activities** | | | | | | |
| **Balance at beginning of period** | **72.3** | **50.0** | **13.8** | **80.3** | **55.9** | **0.0** |
| Granted | 3.4 | 0.0 | 0.0 | 36.9 | 21.4 | 16.4 |
| Settled | (1.8) | (0.2) | 0.0 | (36.8) | (26.5) | (2.6) |
| Forfeited | (1.7) | (1.1) | (0.2) | (8.2) | (2.1) | (0.2) |
| **Balance at end of period** | **72.2** | **48.7** | **13.6** | **72.2** | **48.7** | **13.6** |
| of which vested | 6.5 | 5.3 | 0.7 | 6.5 | 5.3 | 0.7 |
| of which unvested | 65.7 | 43.4 | 12.9 | 65.7 | 43.4 | 12.9 |

## 25 Pension and other post-retirement benefits

The Group expects to contribute CHF 660 million to the Swiss and international defined benefit plans and other post-retirement defined benefit plans in 2016. As of the end of 3Q16, CHF 565 million of contributions had been made.

### Components of total benefit costs

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Total benefit costs (CHF million)** | | | | | |
| Service costs on benefit obligation | 77 | 78 | 80 | 232 | 239 |
| Interest costs on benefit obligation | 67 | 70 | 81 | 207 | 242 |
| Expected return on plan assets | (177) | (178) | (198) | (533) | (589) |
| Amortization of recognized prior service cost/(credit) | (29) | (29) | (25) | (87) | (80) |
| Amortization of recognized actuarial losses | 105 | 105 | 113 | 315 | 334 |
| **Net periodic benefit costs** | **43** | **46** | **51** | **134** | **146** |
| Settlement losses | 0 | 0 | 0 | 2 | 1 |
| Curtailment losses/(gains) | (1) | (3) | (1) | (11) | (3) |
| Special termination benefits | 7 | 3 | 4 | 11 | 8 |
| **Total benefit costs** | **49** | **46** | **54** | **136** | **152** |

## 26 Derivatives and hedging activities

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 29 – Financial instruments" for further information.

### Fair value of derivative instruments

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 3Q16 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 8,500.4 | 1.6 | 1.9 | 0.0 | 0.0 | 0.0 |
| Swaps | 15,516.6 | 129.8 | 123.3 | 46.4 | 1.3 | 1.1 |
| Options bought and sold (OTC) | 2,209.7 | 59.2 | 56.5 | 0.0 | 0.0 | 0.0 |
| Futures | 882.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 610.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **27,719.1** | **190.7** | **181.8** | **46.4** | **1.3** | **1.1** |
| Forwards | 1,095.2 | 11.6 | 10.4 | 10.9 | 0.0 | 0.1 |
| Swaps | 875.5 | 24.1 | 34.2 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 442.7 | 7.4 | 7.8 | 5.5 | 0.0 | 0.0 |
| Futures | 19.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 13.2 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **2,446.2** | **43.6** | **52.4** | **16.4** | **0.0** | **0.1** |
| Forwards | 1.5 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 189.9 | 4.1 | 6.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 235.0 | 8.1 | 7.9 | 0.0 | 0.0 | 0.0 |
| Futures | 50.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 362.7 | 12.1 | 15.0 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **839.9** | **24.4** | **29.0** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **641.4** | **9.3** | **10.4** | **0.0** | **0.0** | **0.0** |
| Forwards | 6.9 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 19.7 | 2.2 | 1.4 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 18.9 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 |
| Futures | 14.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 4.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **63.9** | **2.5** | **1.7** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **31,710.5** | **270.5** | **275.3** | **62.8** | **1.3** | **1.2** |

The notional amount, PRV and NRV (trading and hedging) was CHF 31,773.3 billion, CHF 271.8 billion and CHF 276.5 billion, respectively, as of September 30, 2016.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 4Q15 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 7,229.5 | 1.0 | 1.2 | 0.0 | 0.0 | 0.0 |
| Swaps | 16,737.7 | 118.3 | 112.8 | 54.3 | 1.3 | 1.0 |
| Options bought and sold (OTC) | 2,856.0 | 49.2 | 47.4 | 0.0 | 0.0 | 0.0 |
| Futures | 1,789.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 198.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **28,811.5** | **168.6** | **161.4** | **54.3** | **1.3** | **1.0** |
| Forwards | 1,498.4 | 16.6 | 16.9 | 10.7 | 0.0 | 0.1 |
| Swaps | 1,050.7 | 30.5 | 40.8 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 534.8 | 12.8 | 12.8 | 8.2 | 0.0 | 0.0 |
| Futures | 22.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 13.0 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **3,119.4** | **60.2** | **70.8** | **18.9** | **0.0** | **0.1** |
| Forwards | 1.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 203.8 | 5.1 | 6.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 193.1 | 8.4 | 7.5 | 0.0 | 0.0 | 0.0 |
| Futures | 39.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 284.4 | 9.1 | 11.4 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **722.5** | **22.6** | **25.7** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **831.9** | **17.8** | **17.3** | **0.0** | **0.0** | **0.0** |
| Forwards | 6.3 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 19.6 | 2.6 | 1.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 8.8 | 0.4 | 0.3 | 0.0 | 0.0 | 0.0 |
| Futures | 11.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 1.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **47.7** | **3.2** | **2.2** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **33,533.0** | **272.4** | **277.4** | **73.2** | **1.3** | **1.1** |

The notional amount, PRV and NRV (trading and hedging) was CHF 33,606.2 billion, CHF 273.7 billion and CHF 278.5 billion, respectively, as of December 31, 2015.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Netting of derivative instruments

▸ Refer to "Derivatives" in Note 22 – Offsetting of financial assets and financial liabilities for further information of the netting of derivative instruments.

## Fair value hedges

| in | **3Q16** | 2Q16 | 3Q15 | **9M16** | 9M15 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | | | |
| Interest rate products | (124) | 689 | 815 | 1,783 | 256 |
| Foreign exchange products | 0 | 0 | (2) | 0 | 0 |
| **Total** | **(124)** | **689** | **813** | **1,783** | **256** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | | | |
| Interest rate products | 128 | (751) | (884) | (1,943) | (307) |
| Foreign exchange products | 0 | 0 | 2 | 0 | 0 |
| **Total** | **128** | **(751)** | **(882)** | **(1,943)** | **(307)** |
| **Details of fair value hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion | 4 | (62) | (69) | (160) | (51) |

Represents gains/(losses) recognized in trading revenues.

### Cash flow hedges

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Interest rate products | (35) | 35 | 42 | 62 | 96 |
| Foreign exchange products | 2 | (4) | (14) | (7) | (35) |
| **Total** | **(33)** | **31** | **28** | **55** | **61** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | | | |
| Interest rate products | 10 [1] | 8 [1] | 13 [1,2] | 26 [1] | 31 [1,2] |
| Foreign exchange products | (3) [3,4] | (2) [2,3,4] | (11) [2,3,4] | (14) [2,3,4] | (42) [2,3,4] |
| Total | **7** | **6** | **2** | **12** | **(11)** |
| **Details of cash flow hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion [2] | (13) | (1) | 9 | 18 | 7 |

Represents gains/(losses) on effective portion.
[1] Included in interest and dividend income.
[2] Included in trading revenues.
[3] Included in other revenues.
[4] Included in total other operating expenses.

As of the end of 3Q16, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

The net gain associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months is CHF 12 million.

### Net investment hedges

| in | 3Q16 | 2Q16 | 3Q15 | 9M16 | 9M15 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Foreign exchange products | (128) | (232) | (188) | (380) | 620 |
| **Total** | **(128)** | **(232)** | **(188)** | **(380)** | **620** |

Represents gains/(losses) on effective portion.

The Group includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

Certain of the Group's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty, at the existing mark-to-market replacement value of the derivative contract.

The following table provides the Group's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and SPEs that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch, two-notch and a three-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

## Contingent credit risk

| end of | 3Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 12.6 | 0.2 | 1.2 | **14.0** | 13.2 | 0.5 | 1.4 | **15.1** |
| Collateral posted | 11.6 | 0.2 | – | **11.8** | 12.3 | 0.5 | – | **12.8** |
| Additional collateral required in a one-notch downgrade event | 0.3 | 0.4 | 0.0 | **0.7** | 0.7 | 0.4 | 0.1 | **1.2** |
| Additional collateral required in a two-notch downgrade event | 1.3 | 0.7 | 0.6 | **2.6** | 1.8 | 0.7 | 0.6 | **3.1** |
| Additional collateral required in a three-notch downgrade event | 1.5 | 0.8 | 0.8 | **3.1** | 2.1 | 1.3 | 0.8 | **4.2** |

## Credit derivatives

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on credit derivatives.

### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" tables. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other derivative instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 7.0 billion and CHF 7.8 billion as of the end of 3Q16 and 4Q15, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

## Credit protection sold/purchased

| end of | 3Q16 | | | | | 4Q15 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (94.0) | 87.5 | (6.5) | 16.2 | 0.2 | (199.6) | 188.6 | (11.0) | 26.9 | 1.0 |
| Non-investment grade | (34.0) | 30.6 | (3.4) | 13.4 | (0.7) | (65.2) | 61.1 | (4.1) | 15.7 | (3.2) |
| **Total single-name instruments** | **(128.0)** | **118.1** | **(9.9)** | **29.6** | **(0.5)** | **(264.8)** | **249.7** | **(15.1)** | **42.6** | **(2.2)** |
| of which sovereign | (30.0) | 26.1 | (3.9) | 7.6 | (0.6) | (47.5) | 43.9 | (3.6) | 6.1 | (1.1) |
| of which non-sovereign | (98.0) | 92.0 | (6.0) | 22.0 | 0.1 | (217.3) | 205.8 | (11.5) | 36.5 | (1.1) |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (125.9) | 123.3 | (2.6) | 41.6 | (0.1) | (89.1) | 88.3 | (0.8) | 31.6 | (0.5) |
| Non-investment grade | (26.3) | 24.9 [3] | (1.4) | 10.0 | 1.0 | (24.4) | 18.0 [3] | (6.4) | 6.2 | 0.2 |
| **Total multi-name instruments** | **(152.2)** | **148.2** | **(4.0)** | **51.6** | **0.9** | **(113.5)** | **106.3** | **(7.2)** | **37.8** | **(0.3)** |
| of which sovereign | (0.5) | 0.5 | 0.0 | 0.6 | 0.0 | (1.0) | 1.0 | 0.0 | 1.0 | 0.0 |
| of which non-sovereign | (151.7) | 147.7 | (4.0) | 51.0 | 0.9 | (112.5) | 105.3 | (7.2) | 36.8 | (0.3) |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (219.9) | 210.8 | (9.1) | 57.8 | 0.1 | (288.7) | 276.9 | (11.8) | 58.5 | 0.5 |
| Non-investment grade | (60.3) | 55.5 | (4.8) | 23.4 | 0.3 | (89.6) | 79.1 | (10.5) | 21.9 | (3.0) |
| **Total instruments** | **(280.2)** | **266.3** | **(13.9)** | **81.2** | **0.4** | **(378.3)** | **356.0** | **(22.3)** | **80.4** | **(2.5)** |
| of which sovereign | (30.5) | 26.6 | (3.9) | 8.2 | (0.6) | (48.5) | 44.9 | (3.6) | 7.1 | (1.1) |
| of which non-sovereign | (249.7) | 239.7 | (10.0) | 73.0 | 1.0 | (329.8) | 311.1 | (18.7) | 73.3 | (1.4) |

[1] Represents credit protection purchased with identical underlyings and recoveries.
[2] Based on internal ratings of BBB and above.
[3] Includes the Clock Finance transaction.

### Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events.

### Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold.

### Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

### Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

**Credit derivatives**

| end of | 3Q16 | 4Q15 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 280.2 | 378.3 |
| Credit protection purchased | 266.3 | 356.0 |
| Other protection purchased | 81.2 | 80.4 |
| Other instruments [1] | 13.7 | 17.2 |
| **Total credit derivatives** | **641.4** | **831.9** |

[1] Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

**Maturity of credit protection sold**

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | Total |
|---|---|---|---|---|
| **3Q16 (CHF billion)** | | | | |
| Single-name instruments | 21.6 | 87.6 | 18.8 | 128.0 |
| Multi-name instruments | 17.5 | 97.0 | 37.7 | 152.2 |
| **Total instruments** | **39.1** | **184.6** | **56.5** | **280.2** |
| **4Q15 (CHF billion)** | | | | |
| Single-name instruments | 52.1 | 196.4 | 16.3 | 264.8 |
| Multi-name instruments | 19.0 | 84.9 | 9.6 | 113.5 |
| **Total instruments** | **71.1** | **281.3** | **25.9** | **378.3** |

## 27 Guarantees and commitments

### Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate Credit Suisse to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Group's current best estimate of payments that will be required under existing guarantee arrangements.

Guarantees provided by the Group are classified as follows: credit guarantees and similar instruments, performance guarantees and similar instruments, derivatives and other guarantees. The Group no longer provides guarantees for securities lending indemnifications.

▸ Refer to "Guarantees" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a detailed description of guarantees.

## Guarantees

| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|
| **3Q16 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 1,766 | 1,210 | 2,976 | 2,744 | 12 | 1,864 |
| Performance guarantees and similar instruments | 4,474 | 2,636 | 7,110 | 6,173 | 85 | 3,024 |
| Derivatives [2] | 27,408 | 6,977 | 34,385 | 34,385 | 1,089 | – [3] |
| Other guarantees | 3,698 | 1,561 | 5,259 | 5,255 | 35 | 3,542 |
| **Total guarantees** | **37,346** | **12,384** | **49,730** | **48,557** | **1,221** | **8,430** |
| **4Q15 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,916 | 1,486 | 4,402 | 4,193 | 25 | 1,729 |
| Performance guarantees and similar instruments | 4,295 | 2,704 | 6,999 | 6,100 | 78 | 3,144 |
| Derivatives [2] | 23,529 | 14,660 | 38,189 | 38,189 | 755 | – [3] |
| Other guarantees | 3,958 | 1,521 | 5,479 | 5,474 | 52 | 3,533 |
| **Total guarantees** | **34,698** | **20,371** | **55,069** | **53,956** | **910** | **8,406** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2016 to June 30, 2017 is CHF 0.6 billion. These deposit insurance guarantees were reflected in other guarantees.

### Representations and warranties on residential mortgage loans sold

In connection with the former Investment Banking division's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises, Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims made within the statute of limitations (including the likelihood and ability to enforce claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

During the first nine months of 2016, the Group received repurchase claims for residential mortgage loans that were not significant, and loans repurchased during this period and related losses were not significant. The balance of outstanding repurchase claims as of the end of 3Q16 was not significant.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so during the reporting period, are not included in this Guarantees and commitments disclosure but are addressed in litigation and related loss contingencies and provisions. The Group is involved in litigation relating to representations and warranties on residential mortgages sold.

▸ Refer to "Note 31 – Litigation" for further information.

### Disposal-related contingencies and other indemnifications

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees include disposal-related contingencies in connection with the sale of assets or businesses, and other indemnifications. These guarantees are not reflected in the "Guarantees" table.

▸ Refer to "Disposal-related contingencies and other indemnifications" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a description of these guarantees.

### Other commitments

Other commitments of the Group are classified as follows: irrevocable commitments under documentary credits, irrevocable loan commitments, forward reverse repurchase agreements and other commitments.

▸ Refer to "Other commitments" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a description of these commitments.

### Other commitments

| end of | 3Q16 | | | | | 4Q15 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received |
| **Other commitments (CHF million)** | | | | | | | | | | |
| Irrevocable commitments under documentary credits | 3,876 | 9 | 3,885 | 3,736 | 2,536 | 4,022 | 7 | 4,029 | 3,935 | 2,468 |
| Irrevocable loan commitments [2] | 24,611 | 93,783 | 118,394 | 114,672 | 44,712 | 33,890 | 103,763 | 137,653 | 133,833 | 63,276 |
| Forward reverse repurchase agreements | 1,375 | 0 | 1,375 | 1,375 | 1,375 | 48 | 0 | 48 | 48 | 48 |
| Other commitments | 1,087 | 133 | 1,220 | 1,220 | 0 | 450 | 322 | 772 | 771 | 6 |
| **Total other commitments** | **30,949** | **93,925** | **124,874** | **121,003** | **48,623** | **38,410** | **104,092** | **142,502** | **138,587** | **65,798** |

[1] Total net amount is computed as the gross amount less any participations.

[2] Irrevocable loan commitments do not include a total gross amount of CHF 98,724 million and CHF 98,495 million of unused credit limits as of the end of 3Q16 and 4Q15, respectively, which were revocable at the Group's sole discretion upon notice to the client.

## 28 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and Group tax or regulatory purposes.

### TRANSFERS OF FINANCIAL ASSETS

#### Securitizations

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, commercial paper (CP) and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue CMBS, RMBS and asset-backed securities (ABS) that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include managed CLOs, CLOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CLOs are collateralized by loans transferred to the CLO vehicle and pay a return based on the returns on the loans. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed

financing structures investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and loans involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 9M16 and 9M15 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

## Securitizations

| in | 9M16 | 9M15 |
|---|---|---|
| **Gains and cash flows (CHF million)** | | |
| **CMBS** | | |
| Net gain [1] | 0 | 1 |
| Proceeds from transfer of assets | 3,315 | 8,003 |
| Cash received on interests that continue to be held | 53 | 119 |
| **RMBS** | | |
| Net gain/(loss) [1] | (1) | 11 |
| Proceeds from transfer of assets | 7,706 | 15,713 |
| Servicing fees | 2 | 2 |
| Cash received on interests that continue to be held | 394 | 325 |
| **Other asset-backed financings** | | |
| Net gain [1] | 22 | 20 |
| Proceeds from transfer of assets | 1,963 [2] | 1,124 |
| Fees [3] | 93 | – |
| Cash received on interests that continue to be held | 2 | 3 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

[2] Excludes a net impact of CHF 3,109 million from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.

[3] Represents management fees and performance fees earned for investment management services provided to managed CLOs.

### Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets.

▸ Refer to "Transfer of financial assets" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for a detailed description of continuing involvement in transferred financial assets.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 3Q16 and 4Q15, regardless of when the transfer of assets occurred.

## Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | 3Q16 | 4Q15 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 33,659 | 40,625 |
| Total assets of SPE | 46,429 | 56,118 |
| **RMBS** | | |
| Principal amount outstanding | 38,424 | 54,164 |
| Total assets of SPE | 38,424 | 55,833 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 20,925 [1] | 21,653 |
| Total assets of SPE | 34,976 [1] | 22,787 |

Principal amount outstanding relates to assets transferred from the Group and does not include principal amounts for assets transferred from third parties.

[1] Includes a net impact of CHF 3,208 million in principal amount outstanding and of CHF 16,625 million in total assets of the SPE from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.

### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Group may utilize to hedge the inherent risks.

### Key economic assumptions at the time of transfer

▸ Refer to "Note 29 – Financial instruments" for information on fair value hierarchy levels.

**Key economic assumptions used in measuring fair value of beneficial interests at time of transfer**

| at time of transfer, in | 9M16 | | 9M15 | |
|---|---|---|---|---|
| | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 42 | 1,499 | 1,336 | 1,613 |
| of which level 2 | 42 | 1,396 | 1,265 | 1,264 |
| of which level 3 | 0 | 103 | 70 | 349 |
| Weighted-average life, in years | 10.7 | 6.4 | 8.5 | 9.5 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 8.0–33.0 | – [2] | 1.1–27.7 |
| Cash flow discount rate (rate per annum), in % [3] | 2.4–4.9 | 1.4–24.4 | 1.7–6.5 | 1.7–13.6 |
| Expected credit losses (rate per annum), in % | 0.0–0.0 | 11.2–11.2 | 0.7–5.9 | 0.5–12.5 |

Transfers of assets in which the Group does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

### Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 3Q16 and 4Q15.

**Key economic assumptions used in measuring fair value of beneficial interests held in SPEs**

| end of | 3Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 376 | 1,757 | 316 | 1,007 | 2,274 | 56 |
| of which non-investment grade | 79 | 601 | 42 | 73 | 581 | 55 |
| Weighted-average life, in years | 6.5 | 7.1 | 5.1 | 6.7 | 9.7 | 2.5 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 2.0–33.0 | – | – | 1.0–37.1 | – |
| Impact on fair value from 10% adverse change | – | (28.4) | – | – | (30.5) | – |
| Impact on fair value from 20% adverse change | – | (55.2) | – | – | (57.6) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.5–23.9 | 1.0–43.6 | 1.0–21.2 | 2.1–13.3 | 1.5–35.5 | 5.7–21.2 |
| Impact on fair value from 10% adverse change | (5.8) | (36.9) | (4.8) | (18.1) | (63.1) | (0.7) |
| Impact on fair value from 20% adverse change | (11.3) | (72.1) | (9.6) | (35.6) | (122.5) | (1.5) |
| Expected credit losses (rate per annum), in % | 0.7–23.2 | 0.9–42.5 | 0.2–12.9 | 0.9–12.7 | 1.3–34.3 | 0.2–14.2 |
| Impact on fair value from 10% adverse change | (3.6) | (26.6) | (3.5) | (8.0) | (32.3) | (0.7) |
| Impact on fair value from 20% adverse change | (7.1) | (51.8) | (6.9) | (15.9) | (63.2) | (1.5) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[2] CDOs and CLOs within this category are generally structured to be protected from prepayment risk.

[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[4] The rate was based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

### Transfers of financial assets where sale treatment was not achieved

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 3Q16 and 4Q15.

▸ Refer to "Note 30 – Assets pledged and collateral" for further information.

**Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved**

| end of | 3Q16 | 4Q15 |
|---|---|---|
| **CHF million** | | |
| **RMBS** | | |
| Other assets | 0 | 266 |
| Liability to SPE, included in Other liabilities | 0 | (266) |
| **Other asset-backed financings** | | |
| Trading assets | 231 | 155 |
| Other assets | 70 | 122 |
| Liability to SPE, included in Other liabilities | (301) | (277) |

### Transfers of financial assets accounted for as a sale

US GAAP requires the disclosure of a transaction accounted for as a sale that comprises both of the following: a transfer of financial assets to a transferee and an agreement entered into in contemplation of the initial transfer with the transferee that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. In the ordinary course of business, the Group transfers a financial asset accounted for as a sale and, in some instances, enters into an agreement in contemplation of that initial transfer with the same counterparty to retain substantially all of the economics of that transferred financial asset. As of the end of 3Q16 and 4Q15, the Group had agreements in the form of TRS on equity securities and longevity swaps on life insurance policies.

The following table presents information about the transfers of financial assets accounted for as sales with agreements that result in the Group retaining substantially all of the exposure to the economic return on the transferred assets at the date of sale and remain outstanding as of the end of 3Q16 and 4Q15, respectively, gross cash proceeds received for assets derecognized at the date of sale and the fair values of transferred assets and the aforementioned agreements as of the end of 3Q16 and 4Q15.

**Transfer of financial assets accounted for as sales – by transaction type**

| | at date of derecognition | | end of | | |
|---|---|---|---|---|---|
| | Carrying amount derecognized | Gross cash proceeds received for assets derecognized | Fair value of transferred assets | Gross derivative assets recorded [1] | Gross derivative liabilities recorded [1] |
| **3Q16 (CHF million)** | | | | | |
| Sales with longevity swaps | 263 | 322 | 386 | 569 | – |
| **Total transactions outstanding** | **263** | **322** | **386** | **569** [2] | **0** |
| **4Q15 (CHF million)** | | | | | |
| Sales with total return swaps | 395 | 397 | 398 | 7 | 7 |
| Sales with longevity swaps | 308 | 378 | 375 | 546 | – |
| **Total transactions outstanding** | **703** | **775** | **773** | **553** [3] | **7** [3] |

[1] Balances presented on a gross basis, before application of counterparty and cash collateral netting.
[2] As of the end of 3Q16, gross derivative assets of CHF 569 million were included in other products, as disclosed in Note 26 – Derivatives and hedging activities.
[3] As of the end of 4Q15, gross derivative assets of CHF 7 million and CHF 546 million were included in equity/index-related products and other products, respectively, and gross derivative liabilites of CHF 7 million were included in equity/index-related products, as disclosed in Note 26 – Derivatives and hedging activities.

### Securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings

For securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings, US GAAP requires the disclosure of the collateral pledged and the associated risks to which a transferor continues to be exposed after the transfer. This provides an understanding of the nature and risks of short-term collateralized financing obtained through these types of transactions.

Securities sold under repurchase agreements and securities lending transactions represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activities. These transactions are collateralized principally by government debt securities, corporate debt securities, asset-backed securities, equity securities and other collateral and have terms ranging from on demand to a longer period of time.

In the event of the Group's default or a decline in fair value of collateral pledged, the repurchase agreement or security lending transaction provides the counterparty with the right to liquidate the collateral held or request additional collateral.

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of the end of 3Q16 and 4Q15.

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by class of collateral pledged

| end of | 3Q16 | 4Q15 |
|---|---|---|
| **CHF billion** | | |
| Government debt securities | 22.2 | 21.1 |
| Corporate debt securities | 13.2 | 15.2 |
| Asset-backed securities | 10.0 | 21.6 |
| Equity securities | 1.1 | 0.1 |
| Other | 0.1 | 0.1 |
| **Securities sold under repurchase agreements** | **46.6** | **58.1** |
| Government debt securities | 2.4 | 3.1 |
| Corporate debt securities | 0.5 | 0.4 |
| Equity securities | 5.6 | 8.2 |
| Other | 0.4 | 0.3 |
| **Securities lending transactions** | **8.9** | **12.0** |
| Government debt securities | 0.6 | 0.5 |
| Corporate debt securities | 0.4 | 0.1 |
| Equity securities | 26.7 | 27.9 |
| **Obligation to return securities received as collateral, at fair value** | **27.7** | **28.5** |
| **Total** | **83.2** | **98.6** |

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by remaining contractual maturity

| | | Remaining contractual maturities | | | |
|---|---|---|---|---|---|
| end of | On demand [1] | Up to 30 days [2] | 31 – 90 days | More than 90 days | **Total** |
| **3Q16 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 6.0 | 25.7 | 6.6 | 8.3 | 46.6 |
| Securities lending transactions | 5.6 | 2.5 | 0.1 | 0.7 | 8.9 |
| Obligation to return securities received as collateral, at fair value | 27.7 | 0.0 | 0.0 | 0.0 | 27.7 |
| **Total** | **39.3** | **28.2** | **6.7** | **9.0** | **83.2** |
| **4Q15 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 7.7 | 29.9 | 8.1 | 12.4 | 58.1 |
| Securities lending transactions | 6.0 | 3.6 | 1.8 | 0.6 | 12.0 |
| Obligation to return securities received as collateral, at fair value | 26.2 | 2.3 | 0.0 | 0.0 | 28.5 |
| **Total** | **39.9** | **35.8** | **9.9** | **13.0** | **98.6** |

[1] Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.
[2] Includes overnight transactions.

▸ Refer to "Note 22 – Offsetting of financial assets and financial liabilities" for further information on the gross amount of securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral and the net amounts disclosed in the consolidated balance sheets.

## VARIABLE INTEREST ENTITIES

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: CDO/CLOs, CP conduits and financial intermediation.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for a detailed description of VIEs, CDOs, CP conduit or financial intermediation.

### Collateralized debt obligations

The Group engages in CDO/CLO transactions to meet client and investor needs, earn fees and sell financial assets. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction.

### Commercial paper conduit

In 4Q15, the Group decided to stop issuing CP from an existing asset-backed CP conduit, Alpine Securitization Corp. (old Alpine), and all outstanding CP was fully repaid as of the end of 4Q15. As of the end of 3Q16 and 2Q16, old Alpine did not have any third-party assets.

In 2Q16, the Group established Alpine Securitization Ltd (Alpine), a multi-seller asset-backed CP conduit used for client and Group financing purposes. The Group acts as the administrator and provider of liquidity and credit enhancement facilities for Alpine. Alpine discloses to CP investors certain portfolio and asset data and submits its portfolio to rating agencies for public ratings. This CP conduit purchases assets such as loans and receivables or enters into reverse repurchase agreements and finances such activities through the issuance of CP backed by these assets. The CP conduit can enter into liquidity facilities with third-party entities pursuant to which it may purchase assets from these entities to provide them with liquidity and credit support. The financing transactions are structured to provide credit support to the CP conduit in the form of over-collateralization and other asset-specific enhancements. Alpine is a separate legal entity that is wholly owned by the Group. However, its assets are available to satisfy only the claims of its creditors. In addition, the Group, as administrator and liquidity facility provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Group is deemed the primary beneficiary and consolidates this entity.

As of the end of 3Q16, Alpine's outstanding CP had an overall average maturity of approximately 41 days. Alpine was rated A-1(sf) by Standard & Poor's and P-1(sf) by Moody's and had exposures in a reverse repurchase agreement, car loans, credit card receivables and servicer advance receivables.

The Group's commitment to this CP conduit consists of obligations under liquidity agreements. The liquidity agreements are asset-specific arrangements, which require the Group to purchase assets from the CP conduit in certain circumstances, including a lack of liquidity in the CP market such that the CP conduit cannot refinance its obligations or, in some cases, a default of an underlying asset. The asset-specific credit enhancements provided by the client seller of the assets remain unchanged as a result of such a purchase. In entering into such agreements, the Group reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit.

The Group's economic risks associated with the CP conduit are included in the Group's risk management framework including counterparty, economic risk capital and scenario analysis.

### Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

Financial intermediation consists of securitizations, funds, loans and other vehicles.

### Consolidated VIEs

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Group consolidates all VIEs related to financial intermediation for which it was the primary beneficiary.

The consolidated VIEs tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of the end of 3Q16 and 4Q15.

## Consolidated VIEs in which the Group was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO/ CLO | CP Conduit | Securi-tizations | Funds | Loans | Other | **Total** |
| **3Q16 (CHF million)** | | | | | | | |
| Cash and due from banks | 120 | 97 | 134 | 188 | 48 | 8 | 595 |
| Trading assets | 0 | 0 | 0 | 917 | 972 | 1,398 | 3,287 |
| Investment securities | 0 | 0 | 331 | 0 | 0 | 0 | 331 |
| Other investments | 0 | 0 | 0 | 104 | 1,470 | 315 | 1,889 |
| Net loans | 0 | 0 | 0 | 0 | 30 | 241 | 271 |
| Premises and equipment | 0 | 0 | 0 | 0 | 246 | 0 | 246 |
| Other assets | 410 | 0 | 1,124 | 39 | 52 | 1,058 | 2,683 |
| of which loans held-for-sale | 408 | 0 | 195 | 0 | 10 | 0 | 613 |
| **Total assets of consolidated VIEs** | **530** | **97** | **1,589** | **1,248** | **2,818** | **3,020** | **9,302** |
| Trading liabilities | 0 | 0 | 0 | 112 | 19 | 1 | 132 |
| Long-term debt | 530 | 0 | 1,276 | 105 | 51 | 4 | 1,966 |
| Other liabilities | 4 | 0 | 1 | 18 | 129 | 81 | 233 |
| **Total liabilities of consolidated VIEs** | **534** | **0** | **1,277** | **235** | **199** | **86** | **2,331** |
| **4Q15 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,351 | 0 | 21 | 9 | 93 | 219 | 1,693 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 53 | 0 | 0 | 0 | 0 | 53 |
| Trading assets | 283 | 49 | 0 | 941 | 1,001 | 98 | 2,372 |
| Investment securities | 0 | 0 | 1,009 | 0 | 0 | 0 | 1,009 |
| Other investments | 0 | 0 | 0 | 0 | 1,553 | 433 | 1,986 |
| Net loans | 0 | 0 | 0 | 0 | 27 | 1,285 | 1,312 |
| Premises and equipment | 0 | 0 | 0 | 0 | 327 | 0 | 327 |
| Other assets | 10,839 | 123 | 1,671 | 0 | 83 | 1,735 | 14,451 |
| of which loans held-for-sale | 10,790 | 0 | 469 | 0 | 16 | 0 | 11,275 |
| **Total assets of consolidated VIEs** | **12,473** | **225** | **2,701** | **950** | **3,084** | **3,770** | **23,203** |
| Trading liabilities | 8 | 0 | 0 | 0 | 18 | 1 | 27 |
| Short-term borrowings | 0 | 0 | 81 | 0 | 0 | 0 | 81 |
| Long-term debt | 12,428 | 0 | 2,128 | 125 | 136 | 9 | 14,826 |
| Other liabilities | 51 | 3 | 3 | 1 | 135 | 643 | 836 |
| **Total liabilities of consolidated VIEs** | **12,487** | **3** | **2,212** | **126** | **289** | **653** | **15,770** |

### Non-consolidated VIEs

The non-consolidated VIEs tables provide the carrying amounts and classification of the assets and liabilities of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain repurchase financings to funds and single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for further information on non-consolidated VIEs.

### Non-consolidated VIEs

| | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|
| end of | CDO/ CLO | Securi-tizations | Funds | Loans | Other | **Total** |
| **3Q16 (CHF million)** | | | | | | |
| Trading assets | 289 | 3,954 | 927 | 378 | 144 | 5,692 |
| Net loans | 5 | 219 | 2,631 | 4,187 | 577 | 7,619 |
| Other assets | 3 | 13 | 15 | 4 | 525 | 560 |
| **Total variable interest assets** | **297** | **4,186** | **3,573** | **4,569** | **1,246** | **13,871** |
| **Maximum exposure to loss** | **297** | **7,623** | **3,573** | **9,215** | **2,043** | **22,751** |
| **Non-consolidated VIE assets** | **6,882** | **69,708** | **82,543** | **31,137** | **36,082** | **226,352** |
| **4Q15 (CHF million)** | | | | | | |
| Trading assets | 90 | 6,021 | 871 | 425 | 8 | 7,415 |
| Net loans | 36 | 1,508 | 2,734 | 5,053 | 1,723 | 11,054 |
| Other assets | 0 | 11 | 13 | 0 | 161 | 185 |
| **Total variable interest assets** | **126** | **7,540** | **3,618** | **5,478** | **1,892** | **18,654** |
| **Maximum exposure to loss** | **126** | **12,986** | **3,618** | **11,866** | **2,570** | **31,166** |
| **Non-consolidated VIE assets** | **6,590** | **113,530** | **54,112** | **41,824** | **36,865** | **252,921** |

## 29 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:

- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes);
- Fair value option; and
- Disclosures about fair value of financial instruments not carried at fair value.

### CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's concentrations of credit risk.

### FAIR VALUE MEASUREMENT

A significant portion of the Group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on fair value measurement of financial instruments and the definition of the levels of the fair value hierarchy.

## Assets and liabilities measured at fair value on a recurring basis

| end of 3Q16 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Assets measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 0 | 453 | 0 | – | – | 453 |
| Interest-bearing deposits with banks | 0 | 0 | 49 | – | – | 49 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 77,081 | 156 | – | – | 77,237 |
| Debt | 365 | 438 | 16 | – | – | 819 |
| of which corporates | 1 | 403 | 16 | – | – | 420 |
| Equity | 26,835 | 53 | 0 | – | – | 26,888 |
| Securities received as collateral | 27,200 | 491 | 16 | – | – | 27,707 |
| Debt | 31,271 | 35,010 | 4,059 | – | – | 70,340 |
| of which foreign governments | 31,163 | 3,287 | 265 | – | – | 34,715 |
| of which corporates | 18 | 12,673 | 1,848 | – | – | 14,539 |
| of which RMBS | 0 | 15,787 | 587 | – | – | 16,374 |
| of which CMBS | 0 | 2,369 | 57 | – | – | 2,426 |
| of which CDO | 0 | 890 | 1,121 | – | – | 2,011 |
| Equity | 71,060 | 4,166 | 240 | – | 1,801 | 77,267 |
| Derivatives | 5,085 | 261,185 | 4,233 | (243,951) | – | 26,552 |
| of which interest rate products | 1,265 | 188,525 | 830 | – | – | – |
| of which foreign exchange products | 327 | 43,051 | 248 | – | – | – |
| of which equity/index-related products | 3,492 | 19,747 | 1,179 | – | – | – |
| of which credit derivatives | 0 | 8,671 | 671 | – | – | – |
| Other | 2,794 | 2,826 | 4,091 | – | – | 9,711 |
| Trading assets | 110,210 | 303,187 | 12,623 | (243,951) | 1,801 | 183,870 |
| Debt | 294 | 1,904 | 88 | – | – | 2,286 |
| of which foreign governments | 99 | 1,313 | 0 | – | – | 1,412 |
| of which corporates | 0 | 280 | 0 | – | – | 280 |
| of which RMBS | 0 | 229 | 88 | – | – | 317 |
| of which CMBS | 0 | 14 | 0 | – | – | 14 |
| Equity | 3 | 88 | 0 | – | – | 91 |
| Investment securities | 297 | 1,992 | 88 | – | – | 2,377 |
| Private equity | 0 | 0 | 7 | – | 554 | 561 |
| of which equity funds | 0 | 0 | 0 | – | 220 | 220 |
| Hedge funds | 0 | 0 | 0 | – | 276 | 276 |
| of which debt funds | 0 | 0 | 0 | – | 240 | 240 |
| Other equity investments | 14 | 65 | 354 | – | 531 | 964 |
| of which private | 14 | 63 | 354 | – | 529 | 960 |
| Life finance instruments | 0 | 0 | 1,640 | – | – | 1,640 |
| Other investments | 14 | 65 | 2,001 | – | 1,361 | 3,441 |
| Loans | 0 | 12,979 | 6,949 | – | – | 19,928 |
| of which commercial and industrial loans | 0 | 6,391 | 4,525 | – | – | 10,916 |
| of which financial institutions | 0 | 3,787 | 1,540 | – | – | 5,327 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 115 | – | – | 115 |
| Other assets | 246 | 13,813 | 2,220 | (1,171) | – | 15,108 |
| of which loans held-for-sale | 0 | 9,658 | 1,982 | – | – | 11,640 |
| **Total assets at fair value** | **137,967** | **410,061** | **24,217** | **(245,122)** | **3,162** | **330,285** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | 0 | (101) | – | (175) | (276) |
| Less assets consolidated under ASU 2009-17 [3] | (1) | (753) | (176) | – | – | (930) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **137,966** | **409,308** | **23,940** | **(245,122)** | **2,987** | **329,079** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

[3] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 3Q16 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Liabilities measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | | |
| Due to banks | 0 | 414 | 0 | – | – | 414 |
| Customer deposits | 0 | 3,328 | 414 | – | – | 3,742 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 19,861 | 0 | – | – | 19,861 |
| Debt | 365 | 438 | 16 | – | – | 819 |
| of which corporates | 1 | 403 | 16 | – | – | 420 |
| Equity | 26,835 | 53 | 0 | – | – | 26,888 |
| Obligation to return securities received as collateral | 27,200 | 491 | 16 | – | – | 27,707 |
| Debt | 4,732 | 3,723 | 12 | – | – | 8,467 |
| of which foreign governments | 4,654 | 537 | 0 | – | – | 5,191 |
| of which corporates | 0 | 3,006 | 12 | – | – | 3,018 |
| Equity | 16,044 | 256 | 36 | – | 2 | 16,338 |
| Derivatives | 5,793 | 266,214 | 3,338 | (252,257) | – | 23,088 |
| of which interest rate products | 1,344 | 179,866 | 560 | – | – | – |
| of which foreign exchange products | 96 | 52,116 | 130 | – | – | – |
| of which equity/index-related products | 4,350 | 23,595 | 1,144 | – | – | – |
| of which credit derivatives | 0 | 9,514 | 903 | – | – | – |
| Trading liabilities | 26,569 | 270,193 | 3,386 | (252,257) | 2 | 47,893 |
| Short-term borrowings | 0 | 2,963 | 411 | – | – | 3,374 |
| Long-term debt | 0 | 61,612 | 13,385 | – | – | 74,997 |
| of which treasury debt over two years | 0 | 3,245 | 0 | – | – | 3,245 |
| of which structured notes over one year and up to two years | 0 | 6,791 | 400 | – | – | 7,191 |
| of which structured notes over two years | 0 | 42,152 | 12,267 | – | – | 54,419 |
| of which other debt instruments over two years | 0 | 2,313 | 556 | – | – | 2,869 |
| of which other subordinated bonds | 0 | 5,128 | 0 | – | – | 5,128 |
| of which non-recourse liabilities | 0 | 1,805 | 161 | – | – | 1,966 |
| Other liabilities | 0 | 8,850 | 1,819 | (1,029) | – | 9,640 |
| of which failed sales | 0 | 523 | 472 | – | – | 995 |
| **Total liabilities at fair value** | **53,769** | **367,712** | **19,431** | **(253,286)** | **2** | **187,628** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q15 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Assets measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 0 | 89 | 0 | – | – | 89 |
| Interest-bearing deposits with banks | 0 | 2 | 0 | – | – | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 83,407 | 158 | – | – | 83,565 |
| Debt | 811 | 493 | 0 | – | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | – | 261 |
| Equity | 27,141 | 66 | 0 | – | – | 27,207 |
| Securities received as collateral | 27,952 | 559 | 0 | – | – | 28,511 |
| Debt | 27,932 | 48,047 | 4,563 | – | – | 80,542 |
| of which foreign governments | 27,710 | 3,737 | 285 | – | – | 31,732 |
| of which corporates | 13 | 15,762 | 1,745 | – | – | 17,520 |
| of which RMBS | 0 | 22,302 | 814 | – | – | 23,116 |
| of which CMBS | 0 | 3,924 | 215 | – | – | 4,139 |
| of which CDO | 0 | 2,317 | 1,298 | – | – | 3,615 |
| Equity | 64,210 | 4,195 | 871 | – | 1,685 | 70,961 |
| Derivatives | 2,625 | 265,014 | 4,831 | (244,105) | – | 28,365 |
| of which interest rate products | 657 | 167,173 | 791 | – | – | – |
| of which foreign exchange products | 104 | 59,740 | 383 | – | – | – |
| of which equity/index-related products | 1,857 | 19,803 | 936 | – | – | – |
| of which credit derivatives | 0 | 16,267 | 1,568 | – | – | – |
| Other | 2,034 | 4,569 | 4,266 | – | – | 10,869 |
| Trading assets | 96,801 | 321,825 | 14,531 | (244,105) | 1,685 | 190,737 |
| Debt | 1,538 | 1,318 | 148 | – | – | 3,004 |
| of which foreign governments | 1,322 | 94 | 0 | – | – | 1,416 |
| of which corporates | 0 | 285 | 0 | – | – | 285 |
| of which RMBS | 0 | 602 | 148 | – | – | 750 |
| of which CMBS | 0 | 259 | 0 | – | – | 259 |
| Equity | 2 | 84 | 0 | – | – | 86 |
| Investment securities | 1,540 | 1,402 | 148 | – | – | 3,090 |
| Private equity | 0 | 0 | 0 | – | 1,042 | 1,042 |
| of which equity funds | 0 | 0 | 0 | – | 437 | 437 |
| Hedge funds | 0 | 0 | 0 | – | 295 | 295 |
| of which debt funds | 0 | 0 | 0 | – | 260 | 260 |
| Other equity investments | 0 | 23 | 366 | – | 840 | 1,229 |
| of which private | 0 | 14 | 365 | – | 840 | 1,219 |
| Life finance instruments | 0 | 2 | 1,669 | – | – | 1,671 |
| Other investments | 0 | 25 | 2,035 | – | 2,177 | 4,237 |
| Loans | 0 | 11,870 | 8,950 | – | – | 20,820 |
| of which commercial and industrial loans | 0 | 5,811 | 5,735 | – | – | 11,546 |
| of which financial institutions | 0 | 4,102 | 1,729 | – | – | 5,831 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 112 | – | – | 112 |
| Other assets | 687 | 19,002 | 7,087 | (1,149) | – | 25,627 |
| of which loans held-for-sale | 0 | 14,378 | 6,768 | – | – | 21,146 |
| **Total assets at fair value** | **126,980** | **438,181** | **33,021** | **(245,254)** | **3,862** | **356,790** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | (9) | (119) | – | (473) | (601) |
| Less assets consolidated under ASU 2009-17 [3] | 0 | (9,212) | (3,558) | – | – | (12,770) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **126,980** | **428,960** | **29,344** | **(245,254)** | **3,389** | **343,419** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

[3] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q15 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Liabilities measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | | |
| Due to banks | 0 | 482 | 0 | – | – | 482 |
| Customer deposits | 0 | 3,409 | 254 | – | – | 3,663 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 32,398 | 0 | – | – | 32,398 |
| Debt | 811 | 493 | 0 | – | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | – | 261 |
| Equity | 27,141 | 66 | 0 | – | – | 27,207 |
| Obligation to return securities received as collateral | 27,952 | 559 | 0 | – | – | 28,511 |
| Debt | 4,100 | 4,289 | 16 | – | – | 8,405 |
| of which foreign governments | 4,050 | 491 | 0 | – | – | 4,541 |
| of which corporates | 30 | 3,597 | 16 | – | – | 3,643 |
| Equity | 16,875 | 154 | 45 | – | 6 | 17,080 |
| Derivatives | 3,062 | 269,788 | 4,554 | (253,918) | – | 23,486 |
| of which interest rate products | 671 | 160,181 | 578 | – | – | – |
| of which foreign exchange products | 82 | 70,381 | 329 | – | – | – |
| of which equity/index-related products | 2,299 | 22,015 | 1,347 | – | – | – |
| of which credit derivatives | 0 | 15,522 | 1,757 | – | – | – |
| Trading liabilities | 24,037 | 274,231 | 4,615 | (253,918) | 6 | 48,971 |
| Short-term borrowings | 0 | 3,040 | 72 | – | – | 3,112 |
| Long-term debt | 0 | 66,808 | 14,123 | – | – | 80,931 |
| of which treasury debt over two years | 0 | 4,590 | 0 | – | – | 4,590 |
| of which structured notes over one year and up to two years | 0 | 6,396 | 364 | – | – | 6,760 |
| of which structured notes over two years | 0 | 38,066 | 9,924 | – | – | 47,990 |
| of which other debt instruments over two years | 0 | 1,435 | 638 | – | – | 2,073 |
| of which other subordinated bonds | 0 | 5,476 | 0 | – | – | 5,476 |
| of which non-recourse liabilities | 0 | 10,642 | 3,197 | – | – | 13,839 |
| Other liabilities | 0 | 10,224 | 2,491 | (961) | – | 11,754 |
| of which failed sales | 0 | 530 | 454 | – | – | 984 |
| **Total liabilities at fair value** | **51,989** | **391,151** | **21,555** | **(254,879)** | **6** | **209,822** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

### Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 9M16, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers from trading assets were primarily in exchange traded derivatives and debt as prices became observable. The transfers from trading liabilities were primarily in exchange traded derivatives as prices became observable.

In 9M16, transfers out of level 1 to level 2 were primarily from trading assets and investment securities. The transfers from trading assets were primarily in debt and equity for which suitable closing prices were unobtainable as of the end of 9M16. The transfers from investment securities were in debt for which suitable closing prices were unobtainable as of the end of 9M16.

### Transfers between level 1 and level 2

| in | 9M16 | | 9M15 | |
|---|---|---|---|---|
| | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 1,998 | 1,683 | 84 | 113 |
| Equity | 286 | 1,003 | 526 | 605 |
| Derivatives | 2,875 | 0 | 3,932 | 22 |
| **Trading assets** | **5,159** | **2,686** | **4,542** | **740** |
| **Investment securities** | **0** | **1,233** | **0** | **170** |
| **Liabilities (CHF million)** | | | | |
| Debt | 2 | 39 | 107 | 45 |
| Equity | 24 | 150 | 72 | 121 |
| Derivatives | 3,548 | 19 | 4,037 | 101 |
| **Trading liabilities** | **3,574** | **208** | **4,216** | **267** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 9M16 | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 0 | 0 | 0 | 49 | 0 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | 0 | 0 | 0 | 0 | 227 |
| Securities received as collateral | 0 | 0 | 0 | 34 | (18) | 0 |
| Debt | 4,563 | 941 | (1,276) | 3,114 | (3,121) | 0 |
| of which corporates | 1,745 | 361 | (590) | 2,206 | (1,839) | 0 |
| of which RMBS | 814 | 442 | (464) | 378 | (475) | 0 |
| of which CMBS | 215 | 12 | (9) | 44 | (167) | 0 |
| of which CDO | 1,298 | 76 | (159) | 454 | (508) | 0 |
| Equity | 871 | 101 | (118) | 450 | (962) | 0 |
| Derivatives | 4,831 | 1,108 | (701) | 0 | 0 | 1,269 |
| of which interest rate products | 791 | 60 | (38) | 0 | 0 | 106 |
| of which equity/index-related products | 936 | 268 | (109) | 0 | 0 | 354 |
| of which credit derivatives | 1,568 | 765 | (542) | 0 | 0 | 517 |
| Other | 4,266 | 770 | (952) | 2,464 | (2,433) | 0 |
| Trading assets | 14,531 | 2,920 | (3,047) | 6,028 | (6,516) | 1,269 |
| Investment securities | 148 | 0 | (36) | 95 | (85) | 0 |
| Equity | 366 | 7 | (1) | 57 | (107) | 0 |
| Life finance instruments | 1,669 | 0 | 0 | 142 | (271) | 0 |
| Other investments | 2,035 | 7 | (1) | 199 | (378) | 0 |
| Loans | 8,950 | 601 | (1,700) | 445 | (1,211) | 2,890 |
| of which commercial and industrial loans | 5,735 | 338 | (453) | 45 | (839) | 1,728 |
| of which financial institutions | 1,729 | 73 | (288) | 332 | (337) | 570 |
| Other intangible assets (mortgage servicing rights) | 112 | 0 | 0 | 6 | (1) | 0 |
| Other assets | 7,087 | 280 | (1,186) | 1,955 | (5,791) | 825 |
| of which loans held-for-sale [2] | 6,768 | 209 | (1,001) | 1,748 | (5,705) | 825 |
| **Total assets at fair value** | **33,021** | **3,808** | **(5,970)** | **8,811** | **(14,000)** | **5,211** |
| **Liabilities (CHF million)** | | | | | | |
| Customer deposits | 254 | 0 | (39) | 0 | 0 | 239 |
| Obligation to return securities received as collateral | 0 | 0 | 0 | 34 | (18) | 0 |
| Trading liabilities | 4,615 | 962 | (778) | 42 | (48) | 1,007 |
| of which interest rate derivatives | 578 | 36 | (45) | 0 | 0 | 105 |
| of which foreign exchange derivatives | 329 | 10 | (3) | 0 | 0 | 13 |
| of which equity/index-related derivatives | 1,347 | 122 | (181) | 0 | 0 | 326 |
| of which credit derivatives | 1,757 | 784 | (539) | 0 | 0 | 362 |
| Short-term borrowings | 72 | 24 | (29) | 0 | 0 | 498 |
| Long-term debt | 14,123 | 2,508 | (1,596) | 0 | 0 | 3,666 |
| of which structured notes over two years | 9,924 | 2,148 | (1,465) | 0 | 0 | 3,277 |
| of which non-recourse liabilities | 3,197 | 0 | (3) | 0 | 0 | 180 |
| Other liabilities | 2,491 | 159 | (143) | 145 | (70) | 14 |
| of which failed sales | 454 | 27 | (94) | 107 | (18) | 0 |
| **Total liabilities at fair value** | **21,555** | **3,653** | **(2,585)** | **221** | **(136)** | **5,424** |
| **Net assets/(liabilities) at fair value** | **11,466** | **155** | **(3,385)** | **8,590** | **(13,864)** | **(213)** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.
[2] Includes unrealized losses recorded in trading revenues of CHF (88) million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| | | Trading revenues | | Other revenues | | Accumulated other comprehensive income | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 49 |
| | (227) | 0 | 0 | 0 | 0 | 0 | 0 | (2) | 156 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16 |
| | 0 | (6) | (129) | 0 | 1 | 0 | 0 | (28) | 4,059 |
| | 0 | 0 | (21) | 0 | 0 | 0 | 0 | (14) | 1,848 |
| | 0 | (12) | (80) | 0 | 0 | 0 | 0 | (16) | 587 |
| | 0 | 0 | (36) | 0 | 0 | 0 | 0 | (2) | 57 |
| | 0 | 2 | (20) | 0 | 1 | 0 | 0 | (23) | 1,121 |
| | 0 | (42) | (49) | 0 | 0 | 0 | 0 | (11) | 240 |
| | (2,517) | 28 | 276 | 0 | (22) | 0 | 0 | (39) | 4,233 |
| | (173) | 4 | 85 | 0 | 0 | 0 | 0 | (5) | 830 |
| | (353) | 12 | 91 | 0 | (22) | 0 | 0 | 2 | 1,179 |
| | (1,599) | 15 | (33) | 0 | 0 | 0 | 0 | (20) | 671 |
| | (269) | 6 | 322 | 0 | 0 | 0 | 0 | (83) | 4,091 |
| | (2,786) | (14) | 420 | 0 | (21) | 0 | 0 | (161) | 12,623 |
| | (103) | (10) | 80 | 0 | 0 | 0 | 0 | (1) | 88 |
| | 0 | 0 | 16 | 0 | 12 | 0 | 0 | 11 | 361 |
| | 0 | 0 | 134 | 0 | 0 | 0 | 0 | (34) | 1,640 |
| | 0 | 0 | 150 | 0 | 12 | 0 | 0 | (23) | 2,001 |
| | (2,864) | (49) | 4 | 0 | 0 | 0 | 0 | (117) | 6,949 |
| | (1,894) | (17) | (70) | 0 | 0 | 0 | 0 | (48) | 4,525 |
| | (547) | (2) | 46 | 0 | 0 | 0 | 0 | (36) | 1,540 |
| | 0 | 0 | 0 | 0 | 1 | 0 | 0 | (3) | 115 |
| | (797) | (59) | (128) | 0 | (6) | 0 | 0 | 40 | 2,220 |
| | (797) | (72) | (32) | 0 | (6) | 0 | 0 | 45 | 1,982 |
| | **(6,777)** | **(132)** | **526** | **0** | **(14)** | **0** | **0** | **(267)** | **24,217** |
| | (18) | 0 | (41) | 0 | 0 | 0 | 5 | 14 | 414 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16 |
| | (3,106) | 84 | 672 | 0 | (10) | 0 | 0 | (54) | 3,386 |
| | (141) | 14 | 21 | 0 | 0 | 0 | 0 | (8) | 560 |
| | (392) | 2 | 175 | 0 | 0 | 0 | 0 | (4) | 130 |
| | (672) | 16 | 192 | 0 | 0 | 0 | 0 | (6) | 1,144 |
| | (1,684) | 51 | 195 | 0 | 0 | 0 | 0 | (23) | 903 |
| | (159) | 1 | 14 | (3) | 0 | 0 | 0 | (7) | 411 |
| | (5,390) | (74) | 496 | 0 | 0 | 1 | (70) | (279) | 13,385 |
| | (1,482) | (86) | 250 | 0 | 0 | 1 | (70) | (230) | 12,267 |
| | (3,230) | 3 | 46 | 0 | 0 | 0 | 0 | (32) | 161 |
| | (602) | (63) | (120) | (1) | 41 | 0 | 0 | (32) | 1,819 |
| | 0 | 0 | 6 | 0 | 0 | 0 | 0 | (10) | 472 |
| | **(9,275)** | **(52)** | **1,021** | **(4)** | **31** | **1** | **(65)** | **(358)** | **19,431** |
| | **2,498** | **(80)** | **(495)** | **4** | **(45)** | **(1)** | **65** | **91** | **4,786** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 9M15 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 77 | 0 | 0 | 0 |
| Securities received as collateral | 0 | 0 | 0 | 4 |
| Debt | 4,461 | 818 | (1,009) | 1,970 |
| of which corporates | 1,430 | 351 | (206) | 804 |
| of which RMBS | 612 | 348 | (516) | 651 |
| of which CMBS | 257 | 51 | (72) | 185 |
| of which CDO | 1,421 | 42 | (172) | 311 |
| Equity | 896 | 368 | (349) | 749 |
| Derivatives | 6,823 | 1,612 | (826) | 0 |
| of which interest rate products | 1,803 | 49 | (254) | 0 |
| of which equity/index-related products | 1,063 | 515 | (121) | 0 |
| of which credit derivatives | 2,569 | 898 | (451) | 0 |
| Other | 4,323 | 894 | (747) | 3,389 |
| Trading assets | 16,503 | 3,692 | (2,931) | 6,108 |
| Investment securities | 3 | 8 | (88) | 236 |
| Equity | 549 | 1 | 0 | 40 |
| Life finance instruments | 1,834 | 0 | 0 | 150 |
| Other investments | 2,383 | 1 | 0 | 190 |
| Loans | 9,353 | 967 | (1,012) | 598 |
| of which commercial and industrial loans | 5,853 | 610 | (323) | 43 |
| of which financial institutions | 1,494 | 325 | (193) | 256 |
| Other intangible assets (mortgage servicing rights) | 70 | 0 | 0 | 18 |
| Other assets | 7,468 | 2,089 | (3,617) | 3,868 |
| of which loans held-for-sale | 6,851 | 2,081 | (3,535) | 3,792 |
| **Total assets at fair value** | **35,857** | **6,757** | **(7,648)** | **11,022** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 100 | 12 | (16) | 0 |
| Obligation to return securities received as collateral | 0 | 0 | 0 | 4 |
| Trading liabilities | 6,417 | 1,691 | (1,521) | 48 |
| of which interest rate derivatives | 1,202 | 105 | (358) | 0 |
| of which foreign exchange derivatives | 560 | 3 | (3) | 0 |
| of which equity/index-related derivatives | 1,466 | 288 | (658) | 0 |
| of which credit derivatives | 2,760 | 1,117 | (496) | 0 |
| Short-term borrowings | 95 | 79 | (18) | 0 |
| Long-term debt | 14,608 | 1,964 | (3,378) | 0 |
| of which structured notes over two years | 10,267 | 932 | (2,312) | 0 |
| of which non-recourse liabilities | 2,952 | 749 | (841) | 0 |
| Other liabilities | 3,363 | 108 | (1,188) | 159 |
| of which failed sales | 616 | 5 | (4) | 130 |
| **Total liabilities at fair value** | **24,583** | **3,854** | **(6,121)** | **211** |
| **Net assets/(liabilities) at fair value** | **11,274** | **2,903** | **(1,527)** | **10,811** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| 0 | 257 | 0 | 0 | 0 | 0 | 0 | 6 | 340 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| (2,204) | 0 | 0 | (17) | 155 | 0 | 0 | (265) | 3,909 |
| (986) | 0 | 0 | (12) | 124 | 0 | 0 | (137) | 1,368 |
| (661) | 0 | 0 | (2) | 53 | 0 | 0 | (6) | 479 |
| (182) | 0 | 0 | (1) | (34) | 0 | 0 | (2) | 202 |
| (220) | 0 | 0 | (1) | 31 | 0 | 0 | (16) | 1,396 |
| (348) | 0 | 0 | (65) | 113 | 0 | 0 | (1) | 1,363 |
| 0 | 1,260 | (3,272) | (37) | (430) | 0 | 1 | (224) | 4,907 |
| 0 | 292 | (493) | (7) | (241) | 0 | 0 | (47) | 1,102 |
| 0 | 352 | (519) | 1 | 4 | 0 | 1 | (37) | 1,259 |
| 0 | 298 | (1,663) | (31) | (534) | 0 | 0 | (83) | 1,003 |
| (3,639) | 0 | (198) | 3 | 270 | 0 | 0 | (57) | 4,238 |
| (6,191) | 1,260 | (3,470) | (116) | 108 | 0 | 1 | (547) | 14,417 |
| (100) | 0 | (16) | 7 | 11 | 0 | 0 | 2 | 63 |
| (125) | 0 | 0 | 0 | (38) | 0 | (18) | (51) | 358 |
| (243) | 0 | 0 | 0 | 22 | 0 | 0 | (24) | 1,739 |
| (368) | 0 | 0 | 0 | (16) | 0 | (18) | (75) | 2,097 |
| (980) | 2,167 | (2,127) | 1 | (195) | (4) | (13) | (259) | 8,496 |
| (654) | 1,098 | (1,283) | 1 | (74) | (4) | (15) | (220) | 5,032 |
| (180) | 761 | (227) | 0 | (83) | 0 | 2 | (10) | 2,145 |
| 0 | 0 | 0 | 0 | 9 | 0 | 0 | 1 | 98 |
| (3,356) | 598 | (1,161) | (3) | (115) | 0 | (8) | (343) | 5,420 |
| (3,211) | 598 | (1,162) | (5) | (95) | 0 | (3) | (327) | 4,984 |
| **(10,995)** | **4,282** | **(6,774)** | **(111)** | **(198)** | **(4)** | **(38)** | **(1,215)** | **30,935** |
| 0 | 127 | (27) | 0 | (8) | 0 | 0 | (13) | 175 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| (40) | 994 | (2,568) | (44) | (741) | 0 | 0 | (173) | 4,063 |
| 0 | 136 | (233) | (1) | (9) | 0 | 1 | (24) | 819 |
| 0 | 6 | (74) | 0 | (96) | 0 | 0 | (13) | 383 |
| 0 | 434 | (200) | 5 | (55) | 0 | 0 | (36) | 1,244 |
| 0 | 195 | (1,890) | (48) | (524) | 0 | 0 | (92) | 1,022 |
| 0 | 359 | (203) | (2) | (10) | 0 | 0 | 1 | 301 |
| 0 | 6,087 | (3,836) | (26) | (894) | 0 | (4) | (153) | 14,368 |
| 0 | 4,461 | (2,608) | (18) | (692) | 0 | 0 | (103) | 9,927 |
| 0 | 669 | (648) | (3) | (72) | 0 | 0 | (40) | 2,766 |
| (120) | 0 | (227) | 16 | (133) | 9 | 283 | (92) | 2,178 |
| (81) | 0 | 0 | 2 | (157) | 0 | 0 | (11) | 500 |
| **(160)** | **7,567** | **(6,861)** | **(56)** | **(1,786)** | **9** | **279** | **(430)** | **21,089** |
| **(10,835)** | **(3,285)** | **87** | **(55)** | **1,588** | **(13)** | **(317)** | **(785)** | **9,846** |

**Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)**

| in | 9M16 | | | 9M15 | | |
|---|---|---|---|---|---|---|
| | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | (575) | (41) | **(616)** [1] | 1,533 | (330) | **1,203** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (239) | 3 | **(236)** | 484 | (7) | **477** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

### Transfers in and out of level 3

Transfers into level 3 assets during 9M16 were CHF 3,808 million, primarily from trading assets and loans. The transfers were primarily in the corporate credit, emerging markets and Asia Pacific businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 9M16 were CHF 5,970 million, primarily in trading assets, loans and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit, emerging markets and prime services businesses due to increased availability of pricing information and in Asia Pacific due to a refinement and more granular assessment of the leveling process.

Transfers into level 3 assets during 3Q16 were CHF 934 million, primarily from trading assets. The transfers were primarily in the corporate credit, securitized products and emerging markets businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 3Q16 were CHF 2,823 million, primarily in loans and trading assets. The transfers out of level 3 loans were primarily in the Asia Pacific financing business due to the refinement and more granular assessment of the leveling process. The transfers out of level 3 trading assets were primarily in the corporate credit business and in the Asia Pacific fixed income business due to increased availability of pricing information.

### Qualitative disclosures of valuation techniques

#### Overview

The Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Group's financial instruments.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's valuation control framework.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the tables "Quantitative information about level 3 assets at fair value" and "Quantitative information about level 3 liabilities at fair value".

#### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

### Debt securities

#### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorized as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price and correlation. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

#### CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate and discount rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity, discount rate and credit spread. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

### Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortization (EBITDA) multiple.

### Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

The valuation of derivatives includes an adjustment for the cost of funding uncollateralized OTC derivatives.

Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility skew, prepayment rate, basis spread, gap risk and funding spread.

Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

Equity and index-related derivatives

Equity derivatives include a variety of products ranging from vanilla options and swaps to exotic structures with bespoke payoff profiles. The main inputs in the valuation of equity derivatives may include volatility, buyback probability, gap risk and correlation.

Generally, the interrelationship between the volatility and correlation is positively correlated.

Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread and correlation. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

**Other trading assets**

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of market implied life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual-specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

**Other investments**

Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published NAVs as permitted by ASC Topic 820 – Fair Value Measurement. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not in line with the fund's observable market data, it is probable that the investment will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs. The investments for which the fair value is measured using the NAV practical expedient are not categorized within the fair value hierarchy.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

Life finance instruments

Life finance instruments include Single Premium Immediate Annuities (SPIA) and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

**Loans**

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a loan pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available. The fair value of the consolidated financial assets of RMBS and CMBS securitization vehicles, which qualify as CFEs, are measured on the basis of the more observable fair value of the VIEs financial liabilities.

Accrual based loans in the Group's private, corporate and institutional banking businesses, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

**Deposits**

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

**Short-term borrowings and long-term debt**

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buy-back probability, gap risk, correlation, volatility, credit spread, mean reversion and price.

Generally, the interrelationships between volatility, correlation, gap risk and credit spread inputs are positively correlated.

**Other liabilities**

Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

**Short-term financial instruments**

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of EBITDA multiple, market implied life expectancy (for life finance instruments), buyback probability, correlation, price, volatility, volatility skew or funding spread, in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of market implied life expectancy (for life settlement and premium finance instruments), capitalization rate, discount rate, prepayment rate, gap risk, recovery rate or credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input mean reversion would increase the fair value. An increase in the significant unobservable input basis spread would decrease the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

### Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

**Quantitative information about level 3 assets at fair value**

| end of 3Q16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Interest-bearing deposits with banks | 49 | – | – | – | – | – |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 156 | Discounted cash flow | Funding spread, in bp | 10 | 450 | 268 |
| Securities received as collateral | 16 | – | – | – | – | – |
| Debt | 4,059 | | | | | |
| of which corporates | 1,848 | | | | | |
| of which | 432 | Option model | Correlation, in % | (85) | 98 | 25 |
| of which | 1,173 | Market comparable | Price, in % | 0 | 119 | 87 |
| of which | 54 | Discounted cash flow | Credit spread, in bp | 90 | 1,030 | 329 |
| of which RMBS | 587 | | | | | |
| of which | 348 | Discounted cash flow | Discount rate, in % | 0 | 43 | 9 |
| | | | Prepayment rate, in % | 2 | 30 | 11 |
| | | | Default rate, in % | 0 | 8 | 3 |
| | | | Loss severity, in % | 0 | 100 | 55 |
| of which | 211 | Market comparable | Price, in % | 12 | 31 | 24 |
| of which CMBS | 57 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 0 | 14 | 6 |
| | | | Prepayment rate, in % | 0 | 15 | 4 |
| of which CDO | 1,121 | | | | | |
| of which | 222 | Discounted cash flow | Discount rate, in % | 7 | 38 | 15 |
| | | | Prepayment rate, in % | 0 | 20 | 10 |
| | | | Credit spread, in bp | 188 | 188 | 188 |
| | | | Default rate, in % | 0 | 2 | 1 |
| | | | Loss severity, in % | 3 | 100 | 54 |
| of which | 805 | Market comparable | Price, in % | 207 | 207 | 207 |
| Equity | 240 | Market comparable | EBITDA multiple | 3 | 10 | 7 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 3Q16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 4,233 | | | | | |
| of which interest rate products | 830 | Option model | Correlation, in % | 20 | 100 | 47 |
| | | | Prepayment rate, in % | 1 | 22 | 11 |
| | | | Volatility skew, in % | (7) | 0 | (3) |
| of which equity/index-related products | 1,179 | Option model | Correlation, in % | (85) | 98 | 22 |
| | | | Volatility, in % | 2 | 148 | 31 |
| | | | Buyback probability, in % [2] | 50 | 100 | 61 |
| | | | Gap risk, in % [3] | 0 | 2 | 1 |
| of which credit derivatives | 671 | Discounted cash flow | Credit spread, in bp | 0 | 2,293 | 416 |
| | | | Recovery rate, in % | 0 | 75 | 17 |
| | | | Discount rate, in % | 2 | 40 | 20 |
| | | | Default rate, in % | 1 | 33 | 5 |
| | | | Loss severity, in % | 15 | 100 | 66 |
| | | | Correlation, in % | 43 | 97 | 97 |
| | | | Prepayment rate, in % | 0 | 13 | 5 |
| Other | 4,091 | | | | | |
| of which | 2,847 | Market comparable | Price, in % | 0 | 110 | 44 |
| of which | 921 | Discounted cash flow | Market implied life expectancy, in years | 3 | 17 | 8 |
| Trading assets | 12,623 | | | | | |
| Investment securities | 88 | – | – | – | – | – |
| Private equity | 7 | – | – | – | – | – |
| Other equity investments | 354 | – | – | – | – | – |
| Life finance instruments | 1,640 | Discounted cash flow | Market implied life expectancy, in years | 2 | 19 | 7 |
| Other investments | 2,001 | | | | | |
| Loans | 6,949 | | | | | |
| of which commercial and industrial loans | 4,525 | | | | | |
| of which | 3,515 | Discounted cash flow | Credit spread, in bp | 5 | 5,403 | 475 |
| of which | 948 | Market comparable | Price, in % | 0 | 103 | 65 |
| of which financial institutions | 1,540 | | | | | |
| of which | 1,356 | Discounted cash flow | Credit spread, in bp | 81 | 1,020 | 333 |
| of which | 9 | Market comparable | Price, in % | 0 | 89 | 10 |
| Other intangible assets (mortgage servicing rights) | 115 | – | – | – | – | – |
| Other assets | 2,220 | | | | | |
| of which loans held-for-sale | 1,982 | | | | | |
| of which | 159 | Vendor price | Price, in % | 47 | 102 | 97 |
| of which | 780 | Discounted cash flow | Credit spread, in bp | 117 | 1,789 | 403 |
| | | | Recovery rate, in % | 7 | 100 | 74 |
| of which | 772 | Market comparable | Price, in % | 0 | 101 | 63 |
| **Total level 3 assets at fair value** | **24,217** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | Discounted cash flow | Funding spread, in bp | 350 | 475 | 361 |
| Debt | 4,563 | | | | | |
| of which corporates | 1,745 | | | | | |
| of which | 240 | Option model | Correlation, in % | (87) | 99 | 17 |
| of which | 836 | Market comparable | Price, in % | 0 | 128 | 29 |
| of which | 285 | Discounted cash flow | Credit spread, in bp | 134 | 1,408 | 493 |
| of which RMBS | 814 | Discounted cash flow | Discount rate, in % | 1 | 36 | 8 |
| | | | Prepayment rate, in % | 0 | 27 | 9 |
| | | | Default rate, in % | 0 | 20 | 3 |
| | | | Loss severity, in % | 0 | 100 | 50 |
| of which CMBS | 215 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 0 | 23 | 8 |
| | | | Prepayment rate, in % | 0 | 16 | 3 |
| | | | Default rate, in % | 0 | 32 | 1 |
| | | | Loss severity, in % | 0 | 75 | 4 |
| of which CDO | 1,298 | | | | | |
| of which | 66 | Vendor price | Price, in % | 0 | 100 | 96 |
| of which | 329 | Discounted cash flow | Discount rate, in % | 1 | 25 | 11 |
| | | | Prepayment rate, in % | 0 | 20 | 14 |
| | | | Credit spread, in bp | 293 | 336 | 309 |
| | | | Default rate, in % | 0 | 10 | 2 |
| | | | Loss severity, in % | 0 | 100 | 46 |
| of which | 807 | Market comparable | Price, in % | 214 | 214 | 214 |
| Equity | 871 | | | | | |
| of which | 342 | Option model | Volatility, in % | 2 | 253 | 29 |
| of which | 471 | Market comparable | EBITDA multiple | 3 | 12 | 8 |
| | | | Price, in % | 0 | 202 | 96 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 4,831 | | | | | |
| of which interest rate products | 791 | Option model | Correlation, in % | 17 | 100 | 63 |
| | | | Prepayment rate, in % | 1 | 36 | 16 |
| | | | Volatility skew, in % | (8) | 0 | (2) |
| | | | Mean reversion, in % [2] | 5 | 10 | 10 |
| | | | Credit spread, in bp | 130 | 1,687 | 330 |
| of which equity/index-related products | 936 | | | | | |
| | 778 | Option model | Correlation, in % | (87) | 99 | 23 |
| | | | Volatility, in % | 0 | 253 | 26 |
| | 109 | Market comparable | EBITDA multiple | 4 | 10 | 7 |
| | | | Price, in % | 97 | 97 | 97 |
| of which credit derivatives | 1,568 | Discounted cash flow | Credit spread, in bp | 1 | 2,349 | 331 |
| | | | Recovery rate, in % | 0 | 60 | 23 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 35 | 6 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 43 | 97 | 85 |
| | | | Prepayment rate, in % | 0 | 12 | 4 |
| | | | Funding spread, in bp | 61 | 68 | 67 |
| Other | 4,266 | | | | | |
| of which | 2,859 | Market comparable | Price, in % | 0 | 106 | 45 |
| of which | 865 | Discounted cash flow | Market implied life expectancy, in years | 3 | 18 | 8 |
| Trading assets | 14,531 | | | | | |
| Investment securities | 148 | – | – | – | – | – |
| Other equity investments | 366 | – | – | – | – | – |
| Life finance instruments | 1,669 | Discounted cash flow | Market implied life expectancy, in years | 2 | 20 | 8 |
| Other investments | 2,035 | | | | | |
| Loans | 8,950 | | | | | |
| of which commercial and industrial loans | 5,735 | | | | | |
| of which | 3,799 | Discounted cash flow | Credit spread, in bp | 70 | 2,528 | 474 |
| of which | 1,146 | Market comparable | Price, in % | 0 | 106 | 65 |
| of which financial institutions | 1,729 | | | | | |
| | 1,451 | Discounted cash flow | Credit spread, in bp | 84 | 826 | 359 |
| | 109 | Market comparable | Price, in % | 0 | 100 | 98 |
| Other intangible assets (mortgage servicing rights) | 112 | – | – | – | – | – |
| Other assets | 7,087 | | | | | |
| of which loans held-for-sale | 6,768 | | | | | |
| of which | 3,594 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 722 | Discounted cash flow | Credit spread, in bp | 99 | 3,220 | 515 |
| | | | Recovery rate, in % | 1 | 1 | 1 |
| of which | 2,251 | Market comparable | Price, in % | 0 | 104 | 76 |
| **Total level 3 assets at fair value** | **33,021** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value

| end of 3Q16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 414 | – | – | – | – | – |
| Obligation to return securities received as collateral | 16 | – | – | – | – | – |
| Trading liabilities | 3,386 | | | | | |
| of which interest rate derivatives | 560 | Option model | Basis spread, in bp | (15) | 58 | 29 |
| | | | Correlation, in % | 20 | 100 | 55 |
| | | | Prepayment rate, in % | 0 | 22 | 6 |
| | | | Gap risk, in % [2] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 130 | Option model | Correlation, in % | (10) | 70 | 50 |
| | | | Prepayment rate, in % | 21 | 22 | 22 |
| of which equity/index-related derivatives | 1,144 | Option model | Correlation, in % | (85) | 98 | 25 |
| | | | Volatility, in % | 2 | 148 | 24 |
| | | | Buyback probability, in % [3] | 50 | 100 | 61 |
| of which credit derivatives | 903 | Discounted cash flow | Credit spread, in bp | 0 | 2,191 | 239 |
| | | | Discount rate, in % | 2 | 40 | 20 |
| | | | Default rate, in % | 1 | 33 | 5 |
| | | | Recovery rate, in % | 10 | 70 | 34 |
| | | | Loss severity, in % | 15 | 100 | 67 |
| | | | Correlation, in % | 43 | 85 | 58 |
| | | | Prepayment rate, in % | 0 | 13 | 5 |
| Short-term borrowings | 411 | – | – | – | – | – |
| Long-term debt | 13,385 | | | | | |
| of which structured notes over two years | 12,267 | | | | | |
| of which | 11,047 | Option model | Correlation, in % | (85) | 99 | 25 |
| | | | Volatility, in % | 0 | 148 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 61 |
| | | | Gap risk, in % [2] | 0 | 2 | 1 |
| | | | Mean reversion, in % [4] | (14) | (1) | (7) |
| of which | 466 | Discounted cash flow | Credit spread, in bp | 6 | 534 | 82 |
| Other liabilities | 1,819 | | | | | |
| of which failed sales | 472 | | | | | |
| of which | 398 | Market comparable | Price, in % | 0 | 100 | 81 |
| of which | 37 | Discounted cash flow | Discount rate, in % | 8 | 47 | 29 |
| **Total level 3 liabilities at fair value** | **19,431** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[3] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[4] Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 254 | – | – | – | – | – |
| Trading liabilities | 4,615 | | | | | |
| of which interest rate derivatives | 578 | Option model | Basis spread, in bp | (7) | 53 | 25 |
| | | | Correlation, in % | 17 | 100 | 75 |
| | | | Mean reversion, in % [2] | 5 | 10 | 8 |
| | | | Prepayment rate, in % | 0 | 36 | 9 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 329 | Option model | Correlation, in % | (10) | 70 | 54 |
| | | | Prepayment rate, in % | 24 | 36 | 30 |
| of which equity/index-related derivatives | 1,347 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 26 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| of which credit derivatives | 1,757 | Discounted cash flow | Credit spread, in bp | 1 | 1,687 | 275 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 33 | 5 |
| | | | Recovery rate, in % | 8 | 60 | 27 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 17 | 95 | 80 |
| | | | Funding spread, in bp | 51 | 68 | 68 |
| | | | Prepayment rate, in % | 0 | 12 | 5 |
| Short-term borrowings | 72 | – | – | – | – | – |
| Long-term debt | 14,123 | | | | | |
| of which structured notes over two years | 9,924 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 28 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| | | | Gap risk, in % [3] | 0 | 3 | 1 |
| | | | Credit spread, in bp | 153 | 182 | 177 |
| of which non-recourse liabilities | 3,197 | | | | | |
| of which | 3,183 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 14 | Market comparable | Price, in % | 0 | 87 | 9 |
| Other liabilities | 2,491 | | | | | |
| of which failed sales | 454 | | | | | |
| of which | 379 | Market comparable | Price, in % | 0 | 106 | 90 |
| of which | 68 | Discounted cash flow | Credit spread, in bp | 571 | 1,687 | 1,425 |
| | | | Discount rate, in % | 7 | 23 | 15 |
| **Total level 3 liabilities at fair value** | **21,555** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[4] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.

### Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above results in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

#### Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest, while the higher end of the range relates to collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates, while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary from collateral pool to collateral pool, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and volatility skew

Volatility and its skew are both impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility may vary significantly between different underlying currencies and expiration dates on the options. Similarly, in the case of equity derivatives, the volatility attributed to a structure may vary depending upon the underlying reference name on the derivative.

Market implied life expectancy

Market implied life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA, and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of the insured.

Price

Bond equivalent price is a primary significant unobservable input for multiple products. Where market prices are not available for an instrument, benchmarking may be utilized to identify comparable issues (same industry and similar product mixes) while adjustments are considered for differences in deal terms and performance.

Buyback probability

Buyback probability is the probability assigned to structured notes being unwound prior to their legal maturity.

Gap risk

Gap risk is the primary significant unobservable input for fund-linked Constant Proportion Portfolio Insurance products and structures where the payoff may be sensitive to discontinuity in the hedging portfolio.

Mean reversion

Mean reversion is the primary significant unobservable input for callable constant maturity swap (CMS) spread exotics and represents the idea that prices and returns eventually move back towards the historical average.

Funding spread

Funding spread is the primary significant unobservable input for special purpose vehicle funding facilities. Synthetic funding curves which represent the assets pledged as collateral are used to value structured financing transactions. The curves provide an estimate of where secured funding can be sourced and are expressed as a basis point spread in relation to the referenced benchmark rate.

Capitalization rate

Capitalization rate is the primary significant unobservable input for CMBS loans and is used to estimate the potential return on investment. This is done by dividing the yearly income by the total value of the property.

Basis spread

Basis spread is the primary significant unobservable input for non-callable constant maturity treasury-CMS products and is used to determine interest rate risk as a result of differing lending and borrowing rates.

EBITDA multiple

EBITDA multiple is a primary significant unobservable input for some equity deals which are benchmarked using industry comparables. The EBITDA multiple may be preferred over other measures because it is normalized for differences between the accounting policies of similar companies.

**Fair value measurements of investments in certain entities that calculate NAV per share**

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which is generally up to 10 years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

**Fair value, unfunded commitments and term of redemption conditions**

| end of | 3Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 |
| Equity funds | 65 | 1,736 [1] | 1,801 | 0 | 79 | 1,606 [2] | 1,685 | 0 |
| Equity funds sold short | 0 | (2) | (2) | 0 | 0 | (6) | (6) | 0 |
| Total funds held in trading assets and liabilities | 65 | 1,734 | 1,799 | 0 | 81 | 1,600 | 1,681 | 0 |
| Debt funds | 202 | 38 | 240 | 0 | 184 | 76 | 260 | 1 |
| Equity funds | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 35 | 35 | 0 | 0 | 35 | 35 | 0 |
| Hedge funds | 202 | 74 [3] | 276 | 0 | 184 | 111 [4] | 295 | 1 |
| Debt funds | 7 | 0 | 7 | 5 | 11 | 0 | 11 | 17 |
| Equity funds | 220 | 0 | 220 | 54 | 437 | 0 | 437 | 115 |
| Real estate funds | 207 | 0 | 207 | 46 | 282 | 0 | 282 | 76 |
| Others | 120 | 0 | 120 | 64 | 312 | 0 | 312 | 141 |
| Private equities | 554 | 0 | 554 | 169 | 1,042 | 0 | 1,042 | 349 |
| Equity method investments | 439 | 92 | 531 | 69 | 660 | 196 | 856 | 100 |
| Total funds held in other investments | 1,195 | 166 | 1,361 | 238 | 1,886 | 307 | 2,193 | 450 |
| **Total fair value** | **1,260** [5] | **1,900** [6] | **3,160** | **238** [7] | **1,967** [5] | **1,907** [6] | **3,874** | **450** [7] |

[1] 46% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 29% is redeemable on an annual basis with a notice period of more than 60 days, 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 8% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[2] 40% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 31% is redeemable on an annual basis with a notice period of more than 60 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 6% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[3] 73% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 19% is redeemable on demand with a notice period primarily of less than 30 days, 5% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

[4] 87% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, 5% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

[5] Includes CHF 169 million and CHF 464 million attributable to noncontrolling interests in 2Q16 and 4Q15, respectively.

[6] Includes CHF 6 million and CHF 9 million attributable to noncontrolling interests in 2Q16 and 4Q15, respectively.

[7] Includes CHF 55 million and CHF 176 million attributable to noncontrolling interests in 2Q16 and 4Q15, respectively.

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use. Nonrecurring measurements are completed as of period's end unless otherwise stated.

### Nonrecurring fair value changes

| end of | 3Q16 | 4Q15 |
|---|---|---|
| **CHF billion** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.3** | **0.1** |
| of which level 2 | 0.3 | 0.1 |

## FAIR VALUE OPTION

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in the investment banking businesses and International Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's election of the fair value option for certain of its financial statement captions.

### Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

| end of | 3Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 1,516 | 4,724 | (3,208) | 1,628 | 5,019 | (3,391) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 49 | 49 | 0 | 2 | 2 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 77,237 | 77,110 | 127 | 83,565 | 83,397 | 168 |
| Loans | 19,928 | 20,482 | (554) | 20,820 | 22,289 | (1,469) |
| Other assets [1] | 14,170 | 17,838 | (3,668) | 23,906 | 30,308 | (6,402) |
| Due to banks and customer deposits | (1,121) | (1,047) | (74) | (913) | (826) | (87) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (19,861) | (19,863) | 2 | (32,398) | (32,381) | (17) |
| Short-term borrowings | (3,374) | (3,491) | 117 | (3,112) | (3,263) | 151 |
| Long-term debt | (74,997) | (78,852) | 3,855 | (80,931) | (85,335) | 4,404 |
| Other liabilities | (994) | (2,521) | 1,527 | (984) | (2,619) | 1,635 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| in | 9M16 | 9M15 |
|---|---|---|
| | Net gains/ (losses) | Net gains/ (losses) |
| **Financial instruments (CHF million)** | | |
| Interest-bearing deposits with banks | 1 [1] | 1 [1] |
| of which related to credit risk | 0 | (1) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,187 [1] | 984 [1] |
| Other investments | 248 [2] | 109 [2] |
| of which related to credit risk | (4) | (2) |
| Loans | 1,663 [1] | 176 [1] |
| of which related to credit risk | 12 | (234) |
| Other assets | (540) [2] | 345 [1] |
| of which related to credit risk | (182) | (251) |
| Due to banks and customer deposits | (43) [2] | 51 [2] |
| of which related to credit risk | (16) | 21 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (103) [1] | 35 [2] |
| Short-term borrowings | 333 [2] | 506 [2] |
| of which related to credit risk | (2) | (8) [4] |
| Long-term debt | (2,987) [2] | 5,362 [2] |
| of which related to credit risk | 0 | 847 [4] |
| Other liabilities | 364 [2] | 262 [3] |
| of which related to credit risk | 236 | 31 |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Primarily recognized in other revenues.
[4] Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF 189 million and CHF 671 million in 9M15, respectively.

The following table provides additional information regarding the gains and losses attributable to changes in instrument-specific credit risk on fair value option elected liabilities which are recorded through AOCI. The table includes both the amount of change during the period and cumulatively that is attributable to the changes in instrument-specific credit risk. In addition it includes the gains and losses related to instrument-specific credit risk that was previously recorded in AOCI that have been transferred during the period to net income.

## Own credit gains/(losses) on fair value option elected instruments recorded in AOCI

| | Gains/(losses) recorded into AOCI [1] | | Gains/(losses) recorded in AOCI transferred to net income [1] |
|---|---|---|---|
| in | 3Q16 | Cumulatively | 3Q16 |
| **Financial instruments (CHF million)** | | | |
| Deposits | (5) | (5) | 0 |
| Short-term borrowings | 0 | (1) | 0 |
| Long-term debt | (1,081) | 751 | 0 |
| of which treasury debt over two years | (278) | 486 | 0 |
| of which structured notes over two years | (782) | 276 | 0 |
| **Total** | **(1,086)** | **745** | **0** |

[1] Amounts are reflected gross of tax.

## FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheets. The disclosure excludes all non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations.

### Carrying value and fair value of financial instruments not carried at fair value

| | Carrying value | Fair value | | | |
|---|---|---|---|---|---|
| end of | | Level 1 | Level 2 | Level 3 | Total |
| **3Q16** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 37,556 | 0 | 37,556 | 0 | 37,556 |
| Loans | 250,740 | 0 | 255,060 | 4,907 | 259,967 |
| Other financial assets [1] | 161,399 | 104,652 | 55,539 | 1,495 | 161,686 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 362,956 | 201,508 | 161,397 | 0 | 362,905 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 12,399 | 0 | 12,399 | 0 | 12,399 |
| Short-term borrowings | 8,226 | 0 | 8,264 | 0 | 8,264 |
| Long-term debt | 120,459 | 0 | 123,255 | 497 | 123,752 |
| Other financial liabilities [2] | 64,757 | 2,026 | 62,401 | 346 | 64,773 |
| **4Q15** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 39,485 | 0 | 39,485 | 0 | 39,485 |
| Loans | 248,326 | 0 | 250,639 | 6,150 | 256,789 |
| Other financial assets [1] | 148,491 | 92,547 | 54,359 | 1,893 | 148,799 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 359,614 | 206,475 | 153,545 | 0 | 360,020 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 14,200 | 0 | 14,401 | 0 | 14,401 |
| Short-term borrowings | 5,546 | 0 | 5,545 | 0 | 5,545 |
| Long-term debt | 116,676 | 0 | 117,321 | 778 | 118,099 |
| Other financial liabilities [2] | 63,921 | 32 | 63,440 | 578 | 64,050 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 30 Assets pledged and collateral

The Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are disclosed on the consolidated balance sheet.

### Assets pledged

| end of | 3Q16 | 4Q15 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 124,745 | 137,330 |
| of which encumbered | 86,457 | 91,278 |

### Collateral

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Group was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | 3Q16 | 4Q15 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 374,688 | 422,269 |
| of which sold or repledged | 162,970 | 186,132 |

## 31 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The Group's material proceedings, related provisions and estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions are described in *Note 39 – Litigation in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015* and updated in subsequent quarterly reports (including those discussed below). Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Group accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

The specific matters described include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed in Note 39 referenced above and updated in quarterly reports (including below) for which the Group believes an estimate is possible is zero to CHF 2.6 billion.

In 3Q16, the Group recorded net litigation provisions of CHF 357 million. After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

**Mortgage-related matters**

The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance.

Individual investor actions

On July 28, 2016, following a settlement, the Texas state court presiding in the action brought by the Texas County and District Retirement System dismissed with prejudice all claims against Credit Suisse Securities (USA) LLC (CSS LLC). These claims related to an unstated amount of RMBS at issue.

On August 9, 2016, a stipulation of voluntary dismissal with prejudice was filed with the Washington state court, which was entered by the court on August 10, 2016, dismissing the action brought by the Federal Home Loan Bank of Seattle (FHLB Seattle) against CSS LLC and its affiliates, relating to approximately USD 104 million of the RMBS at issue against CSS LLC and its affiliates. On August 30, 2016, FHLB Seattle appealed the Washington state court's August 10, 2016 final judgment and order of dismissal, seeking reversal of the court's May 4, 2016 order granting CSS LLC and its affiliates' motion for partial summary judgment, which reduced the RMBS at issue against CSS LLC and its affiliates in the FHLB Seattle action from approximately USD 249 million to approximately USD 104 million.

In September 2016, the Federal Home Loan Bank of San Francisco and CSS LLC and its affiliates reached a settlement in principle with respect to the claims against CSS LLC and its affiliates relating to RMBS at issue amounting to approximately USD 1.6 billion (approximately 17% of the USD 9.5 billion at issue against all defendants in the operative pleadings, reduced to reflect dismissal of actions relating to certain certificates). On September 26, 2016, the California state court presiding over these actions removed the trial scheduled to begin on October 11, 2016 from the calendar.

**Bank loan litigation**

On July 27, 2016, the US District Court for the District of Idaho granted the defendants' motions for summary judgment in the case brought by certain current or former homeowners in four real estate developments, dismissing the case with prejudice. The plaintiffs have filed notices of appeal.

On September 29, 2016, the Bank affiliates and the entity related to Highland Capital Management LP both filed appellate opening briefs in the Texas Fifth Court of Appeals in Dallas.

**Rates-related matters**

On August 16, 2016, Credit Suisse Group AG and Credit Suisse AG, along with other financial institutions, were named in a putative class action brought in the US District Court for the Southern District of New York (SDNY), alleging manipulation of the Bank Bill Swap Reference Rate.

On August 23, 2016, the SDNY dismissed a putative class action brought against Credit Suisse AG and CSS LLC, along with other financial institutions, alleging that the defendants conspired to manipulate certain foreign exchange rates in violation of the US Employee Retirement Income Security Act of 1974. On September 22, 2016, plaintiffs filed an appeal of that decision.

On September 20, 2016, the SDNY granted in part and denied in part a motion to dismiss filed by defendants, including Credit Suisse Group AG, Credit Suisse AG, and CSS LLC, in the consolidated action relating to the alleged manipulation of foreign exchange rates. The decision reduced the size of the putative class, but allowed the primary antitrust and Commodity Exchange Act claims to survive.

On September 26, 2016, Credit Suisse Group AG and affiliates, as well as other financial institutions, were named in a putative class action filed in the SDNY alleging manipulation of the foreign exchange market on behalf of indirect purchasers of foreign exchange instruments.

**CDS-related matters**
As previously disclosed, a Credit Suisse entity has received civil investigative demands from the United States Department of Justice relating to competition in credit derivatives trading, processing, clearing and information services. By a letter dated September 15, 2016, the United States Department of Justice notified Credit Suisse that it has closed its investigation.

**Net new assets-related matters**
On October 5, 2016, the SEC announced a settlement pursuant to which Credit Suisse agreed to pay USD 90 million and admitted that it did not adequately disclose certain practices related to the recognition of net new assets during the period from 4Q11 until 4Q12.

**ATA litigation**
A number of banks, including Credit Suisse AG, have been named in a lawsuit alleging claims under the United States Anti-Terrorism Act (ATA). On September 14, 2016, Credit Suisse AG and the other defendants filed motions to dismiss the plaintiffs' second amended complaint in the US District Court for the Eastern District of New York.

**Italian Investigation**
Credit Suisse AG has resolved a previously-disclosed Italian investigation into alleged tax and money laundering issues through agreements to pay an administrative tax penalty and an administrative sanction. The premise of the alleged tax liability was failure to make required disclosures regarding the activities of Italian clients, and Credit Suisse AG agreed to pay a EUR 18 million administrative tax penalty to resolve these claims. As discussed in "Note 23 – Tax", Credit Suisse AG is also making a tax payment of EUR 83 million comprising EUR 70 million of income tax, associated penalties and interest, on revenue associated with this matter, and EUR 13 million relating to tax and interest on an unrelated Italian tax matter. The premise of the alleged administrative liability was the inadequacy of historical internal controls, and Credit Suisse AG has entered an agreement under Article 63 of Italian Administrative Law 231 to pay EUR 8 million in disgorgement of profits and a EUR 1 million administrative sanction. This agreement under Law 231 is subject to judicial ratification, which is expected in early 2017. No admission of wrongdoing was required in connection with either agreement.

## 32 Subsidiary guarantee information

Certain wholly-owned finance subsidiaries of the Group, including Credit Suisse Group Funding (Guernsey) Limited, which is a Guernsey incorporated non-cellular company limited by shares, have issued securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law for the Guernsey subsidiary, applicable to some of the Group's subsidiaries that may limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly owned subsidiary of the Group.

As part of an announced program to evolve the Group's legal entity structure to meet developing and future regulatory requirements and US Federal Reserve regulation on establishing Intermediate Holding Companies in the US for non-US banks, legal entities are re-parented as subsidiaries of Credit Suisse (USA), Inc. Prior periods are restated to conform to the current presentation to reflect the impact of such transactions.

## Condensed consolidating statements of operations

| in 3Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,331 | 2,780 | 4,111 | 70 | 41 | 4,222 |
| Interest expense | (922) | (1,352) | (2,274) | (84) | 66 | (2,292) |
| Net interest income | 409 | 1,428 | 1,837 | (14) | 107 | 1,930 |
| Commissions and fees | 863 | 1,741 | 2,604 | 7 | 69 | 2,680 |
| Trading revenues | (36) | 395 | 359 | (40) | (87) | 232 |
| Other revenues | 181 | 399 | 580 | 82 [2] | (108) | 554 |
| **Net revenues** | **1,417** | **3,963** | **5,380** | **35** | **(19)** | **5,396** |
| **Provision for credit losses** | **0** | **41** | **41** | **0** | **14** | **55** |
| Compensation and benefits | 813 | 1,873 | 2,686 | 20 | (32) | 2,674 |
| General and administrative expenses | 716 | 1,266 | 1,982 | (26) | 22 | 1,978 |
| Commission expenses | 60 | 259 | 319 | 0 | 3 | 322 |
| Restructuring expenses | 52 | 85 | 137 | 0 | 8 | 145 |
| Total other operating expenses | 828 | 1,610 | 2,438 | (26) | 33 | 2,445 |
| **Total operating expenses** | **1,641** | **3,483** | **5,124** | **(6)** | **1** | **5,119** |
| **Income/(loss) before taxes** | **(224)** | **439** | **215** | **41** | **(34)** | **222** |
| Income tax expense/(benefit) | 15 | 188 | 203 | 0 | (18) | 185 |
| **Net income/(loss)** | **(239)** | **251** | **12** | **41** | **(16)** | **37** |
| Net income/(loss) attributable to noncontrolling interests | 36 | (41) | (5) | 0 | 1 | (4) |
| **Net income/(loss) attributable to shareholders** | **(275)** | **292** | **17** | **41** | **(17)** | **41** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 3Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | (239) | 251 | 12 | 41 | (16) | 37 |
| Gains/(losses) on cash flow hedges | 0 | (36) | (36) | 4 | 0 | (32) |
| Foreign currency translation | (88) | (135) | (223) | 0 | 2 | (221) |
| Unrealized gains/(losses) on securities | 0 | 0 | 0 | 0 | (1) | (1) |
| Actuarial gains/(losses) | 23 | 2 | 25 | 0 | 70 | 95 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (24) | (24) |
| Gains/(losses) on liabilities relating to credit risk | (66) | (803) | (869) | 56 | (39) | (852) |
| Other comprehensive income/(loss), net of tax | (131) | (972) | (1,103) | 60 | 8 | (1,035) |
| **Comprehensive income/(loss)** | **(370)** | **(721)** | **(1,091)** | **101** | **(8)** | **(998)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 34 | (52) | (18) | 0 | 5 | (13) |
| **Comprehensive income/(loss) attributable to shareholders** | **(404)** | **(669)** | **(1,073)** | **101** | **(13)** | **(985)** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 3Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,754 | 2,549 | 4,303 | 69 | 50 | 4,422 |
| Interest expense | (1,071) | (1,282) | (2,353) | (83) | 98 | (2,338) |
| Net interest income | 683 | 1,267 | 1,950 | (14) | 148 | 2,084 |
| Commissions and fees | 989 | 1,850 | 2,839 | 5 | 48 | 2,892 |
| Trading revenues | (311) | 1,055 | 744 | 50 | 7 | 801 |
| Other revenues | 113 | 107 | 220 | 725 [2] | (737) | 208 |
| **Net revenues** | **1,474** | **4,279** | **5,753** | **766** | **(534)** | **5,985** |
| **Provision for credit losses** | **0** | **97** | **97** | **0** | **13** | **110** |
| Compensation and benefits | 822 | 1,704 | 2,526 | 13 | (32) | 2,507 |
| General and administrative expenses | 509 | 1,602 | 2,111 | (26) | 15 | 2,100 |
| Commission expenses | 77 | 338 | 415 | 0 | 1 | 416 |
| Total other operating expenses | 586 | 1,940 | 2,526 | (26) | 16 | 2,516 |
| **Total operating expenses** | **1,408** | **3,644** | **5,052** | **(13)** | **(16)** | **5,023** |
| **Income/(loss) before taxes** | **66** | **538** | **604** | **779** | **(531)** | **852** |
| Income tax expense | 33 | 13 | 46 | 0 | 37 | 83 |
| **Net income/(loss)** | **33** | **525** | **558** | **779** | **(568)** | **769** |
| Net income/(loss) attributable to noncontrolling interests | 75 | (92) | (17) | 0 | 7 | (10) |
| **Net income/(loss) attributable to shareholders** | **(42)** | **617** | **575** | **779** | **(575)** | **779** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 3Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 33 | 525 | 558 | 779 | (568) | 769 |
| Gains/(losses) on cash flow hedges | 0 | 24 | 24 | (2) | 0 | 22 |
| Foreign currency translation | 872 | 249 | 1,121 | 0 | 0 | 1,121 |
| Actuarial gains/(losses) | (2) | 10 | 8 | 0 | 64 | 72 |
| Net prior service credit/(cost) | (3) | 0 | (3) | 0 | (17) | (20) |
| Other comprehensive income/(loss), net of tax | 867 | 283 | 1,150 | (2) | 47 | 1,195 |
| **Comprehensive income/(loss)** | **900** | **808** | **1,708** | **777** | **(521)** | **1,964** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 152 | (113) | 39 | 0 | (23) | 16 |
| **Comprehensive income/(loss) attributable to shareholders** | **748** | **921** | **1,669** | **777** | **(498)** | **1,948** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 9M16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 4,427 | 8,798 | 13,225 | 210 | 129 | 13,564 |
| Interest expense | (2,932) | (4,635) | (7,567) | (251) | 194 | (7,624) |
| Net interest income | 1,495 | 4,163 | 5,658 | (41) | 323 | 5,940 |
| Commissions and fees | 2,538 | 5,398 | 7,936 | 20 | 195 | 8,151 |
| Trading revenues | (969) | 1,019 | 50 | 32 | (27) | 55 |
| Other revenues | 608 | 457 | 1,065 | (126) [2] | 57 | 996 |
| **Net revenues** | **3,672** | **11,037** | **14,709** | **(115)** | **548** | **15,142** |
| **Provision for credit losses** | **(7)** | **155** | **148** | **0** | **29** | **177** |
| Compensation and benefits | 2,407 | 5,532 | 7,939 | 38 | (87) | 7,890 |
| General and administrative expenses | 1,664 | 3,939 | 5,603 | (64) | 47 | 5,586 |
| Commission expenses | 181 | 871 | 1,052 | 1 | 8 | 1,061 |
| Restructuring expenses | 194 | 261 | 455 | 0 | 36 | 491 |
| Total other operating expenses | 2,039 | 5,071 | 7,110 | (63) | 91 | 7,138 |
| **Total operating expenses** | **4,446** | **10,603** | **15,049** | **(25)** | **4** | **15,028** |
| **Income/(loss) before taxes** | **(767)** | **279** | **(488)** | **(90)** | **515** | **(63)** |
| Income tax expense/(benefit) | (231) | 141 | (90) | 1 | 116 | 27 |
| **Net income/(loss)** | **(536)** | **138** | **(398)** | **(91)** | **399** | **(90)** |
| Net income/(loss) attributable to noncontrolling interests | 108 | (111) | (3) | 0 | 4 | 1 |
| **Net income/(loss) attributable to shareholders** | **(644)** | **249** | **(395)** | **(91)** | **395** | **(91)** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 9M16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | (536) | 138 | (398) | (91) | 399 | (90) |
| Gains/(losses) on cash flow hedges | 0 | 32 | 32 | 2 | 0 | 34 |
| Foreign currency translation | (400) | (326) | (726) | 6 | (11) | (731) |
| Unrealized gains/(losses) on securities | 0 | 5 | 5 | 0 | 1 | 6 |
| Actuarial gains/(losses) | 36 | 9 | 45 | 0 | 237 | 282 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (77) | (77) |
| Gains/(losses) on liabilities relating to credit risk | (11) | 184 | 173 | 134 | 38 | 345 |
| Other comprehensive income/(loss), net of tax | (375) | (96) | (471) | 142 | 188 | (141) |
| **Comprehensive income/(loss)** | **(911)** | **42** | **(869)** | **51** | **587** | **(231)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 106 | (136) | (30) | 0 | 18 | (12) |
| **Comprehensive income/(loss) attributable to shareholders** | **(1,017)** | **178** | **(839)** | **51** | **569** | **(219)** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 9M15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 5,207 | 9,242 | 14,449 | 205 | 161 | 14,815 |
| Interest expense | (3,168) | (4,512) | (7,680) | (244) | 214 | (7,710) |
| Net interest income | 2,039 | 4,730 | 6,769 | (39) | 375 | 7,105 |
| Commissions and fees | 3,021 | 5,950 | 8,971 | 12 | 147 | 9,130 |
| Trading revenues | (257) | 2,899 | 2,642 | 47 | 0 | 2,689 |
| Other revenues | 410 | 306 | 716 | 2,830 [2] | (2,883) | 663 |
| **Net revenues** | **5,213** | **13,885** | **19,098** | **2,850** | **(2,361)** | **19,587** |
| **Provision for credit losses** | **5** | **150** | **155** | **0** | **36** | **191** |
| Compensation and benefits | 2,750 | 5,641 | 8,391 | 58 | (52) | 8,397 |
| General and administrative expenses | 1,429 | 4,382 | 5,811 | (93) | 48 | 5,766 |
| Commission expenses | 207 | 1,001 | 1,208 | 1 | 5 | 1,214 |
| Total other operating expenses | 1,636 | 5,383 | 7,019 | (92) | 53 | 6,980 |
| **Total operating expenses** | **4,386** | **11,024** | **15,410** | **(34)** | **1** | **15,377** |
| **Income/(loss) before taxes** | **822** | **2,711** | **3,533** | **2,884** | **(2,398)** | **4,019** |
| Income tax expense | 430 | 628 | 1,058 | 0 | 92 | 1,150 |
| **Net income/(loss)** | **392** | **2,083** | **2,475** | **2,884** | **(2,490)** | **2,869** |
| Net income/(loss) attributable to noncontrolling interests | 107 | (125) | (18) | 0 | 3 | (15) |
| **Net income/(loss) attributable to shareholders** | **285** | **2,208** | **2,493** | **2,884** | **(2,493)** | **2,884** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 9M15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 392 | 2,083 | 2,475 | 2,884 | (2,490) | 2,869 |
| Gains/(losses) on cash flow hedges | 0 | 76 | 76 | (15) | 0 | 61 |
| Foreign currency translation | (269) | (1,152) | (1,421) | (1) | (3) | (1,425) |
| Unrealized gains/(losses) on securities | 0 | (5) | (5) | 0 | 3 | (2) |
| Actuarial gains/(losses) | 16 | 26 | 42 | 0 | 211 | 253 |
| Net prior service credit/(cost) | (10) | 0 | (10) | 0 | (53) | (63) |
| Other comprehensive income/(loss), net of tax | (263) | (1,055) | (1,318) | (16) | 158 | (1,176) |
| **Comprehensive income/(loss)** | **129** | **1,028** | **1,157** | **2,868** | **(2,332)** | **1,693** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 742 | (797) | (55) | 0 | 12 | (43) |
| **Comprehensive income/(loss) attributable to shareholders** | **(613)** | **1,825** | **1,212** | **2,868** | **(2,344)** | **1,736** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 3Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 2,368 | 100,543 | 102,911 | 880 | 1,181 | 104,972 |
| Interest-bearing deposits with banks | 3,371 | 181 | 3,552 | 5 | (2,730) | 827 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 79,374 | 35,762 | 115,136 | 0 | (343) | 114,793 |
| Securities received as collateral | 25,649 | 2,058 | 27,707 | 0 | 0 | 27,707 |
| Trading assets | 53,380 | 130,625 | 184,005 | 0 | (135) | 183,870 |
| Investment securities | 331 | 1,694 | 2,025 | 3,886 | (3,534) | 2,377 |
| Other investments | 1,224 | 4,511 | 5,735 | 46,953 | (46,676) | 6,012 |
| Net loans | 12,093 | 245,531 | 257,624 | 124 | 16,858 | 274,606 |
| Premises and equipment | 931 | 3,512 | 4,443 | 0 | 197 | 4,640 |
| Goodwill | 716 | 3,139 | 3,855 | 0 | 870 | 4,725 |
| Other intangible assets | 155 | 37 | 192 | 0 | 0 | 192 |
| Brokerage receivables | 21,351 | 18,039 | 39,390 | 0 | 2 | 39,392 |
| Other assets | 12,148 | 30,435 | 42,583 | 349 | (334) | 42,598 |
| **Total assets** | **213,091** | **576,067** | **789,158** | **52,197** | **(34,644)** | **806,711** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 231 | 22,064 | 22,295 | 2,564 | (2,895) | 21,964 |
| Customer deposits | 8 | 333,684 | 333,692 | 0 | 11,456 | 345,148 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 58,478 | (26,217) | 32,261 | 0 | 0 | 32,261 |
| Obligation to return securities received as collateral | 25,649 | 2,058 | 27,707 | 0 | 0 | 27,707 |
| Trading liabilities | 11,224 | 36,709 | 47,933 | 0 | (40) | 47,893 |
| Short-term borrowings | 35,111 | (23,511) | 11,600 | 300 | (300) | 11,600 |
| Long-term debt | 22,455 | 167,068 | 189,523 | 4,717 | 1,215 | 195,455 |
| Brokerage payables | 30,068 | 12,120 | 42,188 | 0 | 0 | 42,188 |
| Other liabilities | 11,716 | 25,959 | 37,675 | 340 | (277) | 37,738 |
| **Total liabilities** | **194,940** | **549,934** | **744,874** | **7,921** | **9,159** | **761,954** |
| **Total shareholders' equity** | **18,226** | **24,946** | **43,172** | **44,276** | **(43,172)** | **44,276** |
| Noncontrolling interests | (75) | 1,187 | 1,112 | 0 | (631) | 481 |
| **Total equity** | **18,151** | **26,133** | **44,284** | **44,276** | **(43,803)** | **44,757** |
| **Total liabilities and equity** | **213,091** | **576,067** | **789,158** | **52,197** | **(34,644)** | **806,711** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets (continued)

| end of 4Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 5,799 | 84,722 | 90,521 | 942 | 865 | 92,328 |
| Interest-bearing deposits with banks | 70 | 4,883 | 4,953 | 5 | (4,091) | 867 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 105,469 | 17,967 | 123,436 | 0 | (387) | 123,049 |
| Securities received as collateral | 27,274 | 1,237 | 28,511 | 0 | 0 | 28,511 |
| Trading assets | 59,332 | 131,764 | 191,096 | 0 | (359) | 190,737 |
| Investment securities | 1,009 | 1,689 | 2,698 | 4,092 | (3,700) | 3,090 |
| Other investments | 3,080 | 3,707 | 6,787 | 46,795 | (46,561) | 7,021 |
| Net loans | 15,433 | 239,482 | 254,915 | 139 | 17,941 | 272,995 |
| Premises and equipment | 899 | 3,540 | 4,439 | 0 | 205 | 4,644 |
| Goodwill | 731 | 3,198 | 3,929 | 0 | 879 | 4,808 |
| Other intangible assets | 152 | 44 | 196 | 0 | 0 | 196 |
| Brokerage receivables | 17,630 | 16,910 | 34,540 | 0 | 2 | 34,542 |
| Other assets | 26,842 | 31,068 | 57,910 | 228 | (121) | 58,017 |
| **Total assets** | **263,720** | **540,211** | **803,931** | **52,201** | **(35,327)** | **820,805** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 62 | 21,398 | 21,460 | 2,152 | (2,558) | 21,054 |
| Customer deposits | 1 | 331,699 | 331,700 | 0 | 11,005 | 342,705 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 77,028 | (30,430) | 46,598 | 0 | 0 | 46,598 |
| Obligation to return securities received as collateral | 27,274 | 1,237 | 28,511 | 0 | 0 | 28,511 |
| Trading liabilities | 11,097 | 37,957 | 49,054 | 0 | (83) | 48,971 |
| Short-term borrowings | 45,480 | (36,823) | 8,657 | 300 | (300) | 8,657 |
| Long-term debt | 39,127 | 152,967 | 192,094 | 5,025 | 489 | 197,608 |
| Brokerage payables | 28,399 | 11,053 | 39,452 | 0 | 0 | 39,452 |
| Other liabilities | 15,615 | 26,100 | 41,715 | 342 | 174 | 42,231 |
| **Total liabilities** | **244,083** | **515,158** | **759,241** | **7,819** | **8,727** | **775,787** |
| **Total shareholders' equity** | **19,396** | **24,010** | **43,406** | **44,382** | **(43,406)** | **44,382** |
| Noncontrolling interests | 241 | 1,043 | 1,284 | 0 | (648) | 636 |
| **Total equity** | **19,637** | **25,053** | **44,690** | **44,382** | **(44,054)** | **45,018** |
| **Total liabilities and equity** | **263,720** | **540,211** | **803,931** | **52,201** | **(35,327)** | **820,805** |

[1] Includes eliminations and consolidation adjustments.

# List of abbreviations

| | |
|---|---|
| **A** | |
| ABS | Asset-backed securities |
| ADS | American Depositary Share |
| AOCI | Accumulated other comprehensive income/(loss) |
| APAC | Asia Pacific |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Update |
| **B** | |
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| BoE | Bank of England |
| bp | Basis point |
| **C** | |
| CDO | Collateralized debt obligation |
| CDS | Credit default swaps |
| CEO | Chief Executive Officer |
| CET1 | Common equity tier 1 |
| CFE | Collateralized financing entity |
| CFTC | Commodity Futures Trading Commission |
| CMBS | Commercial mortgage-backed securities |
| CP | Commercial paper |
| CPR | Constant prepayment rate |
| CSS LLC | Credit Suisse Securities (USA) LLC |
| CVA | Credit valuation adjustment |
| **D** | |
| DCM | Designated contract market |
| **E** | |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| EC | European Commission |
| ECB | European Central Bank |
| EMEA | Europe, Middle East and Africa |
| EMIR | European Market Infrastructure Regulation |
| EU | European Union |
| **F** | |
| FASB | Financial Accounting Standards Board |
| Fed | US Federal Reserve |
| FINMA | Swiss Financial Market Supervisory Authority FINMA |
| FSB | Financial Stability Board |
| **G** | |
| G-10 | Group of ten nations that agree to participate in the General Arrangements to Borrow |
| GM | Global Markets |
| G-SIB | Global systemically important bank |
| **H** | |
| HNWI | High-net-worth individual |
| HQLA | High-quality liquid assets |
| **I** | |
| IBCM | Investment Banking & Capital Markets |
| IHC | Intermediate holding company |
| IPO | Initial public offering |
| ISDA | International Swaps and Derivatives Association |
| IWM | International Wealth Management |
| **L** | |
| LCR | Liquidity coverage ratio |
| **M** | |
| MiFID II | Revised Markets in Financial Instruments Directive |
| MiFIR | Markets in Financial Instruments Regulation |
| M&A | Mergers and acquisitions |
| **N** | |
| NAV | Net asset value |
| NNA | Net new assets |
| NRV | Negative replacement value |
| NSFR | Net stable funding ratio |
| **O** | |
| OTC | Over-the-counter |
| **P** | |
| PRV | Positive replacement value |
| PSA | Prepayment speed assumption |
| **Q** | |
| QoQ | Quarter on quarter |
| **R** | |
| RMBS | Residential mortgage-backed securities |
| RNIV | Risk not in VaR |
| RTS | Regulatory and technical standards |
| RWA | Risk-weighted assets |
| **S** | |
| SDNY | US District Court for the Southern District of New York |
| SEC | US Securities and Exchange Commission |
| SEI | Significant economic interest |
| SNB | Swiss National Bank |
| SPE | Special purpose entity |
| SPIA | Single premium immediate annuity |
| SRU | Strategic Resolution Unit |
| STC | Simple, transparent and comparable |
| SUB | Swiss Universal Bank |
| **T** | |
| TLAC | Total loss absorbing capacity |
| TRS | Total return swap |
| **U** | |
| UK | United Kingdom |
| UHNWI | Ultra-high-net-worth individual |
| US | United States of America |
| US GAAP | US generally accepted accounting principles |
| **V** | |
| VaR | Value-at-risk |
| VDAX | Deutsche Börse AG DAX Volatility Index |
| VIE | Variable interest entity |
| VIX | Chicago Board Options Exchange Market Volatility Index |
| **Y** | |
| YoY | Year on year |
| Ytd | Year to date |

# Investor information

## Share data

| in / end of | 9M16 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| **Share price (common shares, CHF)** | | | | |
| Average | 13.60 | 23.85 | 26.52 | 26.74 |
| Minimum | 9.92 | 18.22 | 23.77 | 22.90 |
| Maximum | 21.31 | 27.89 | 30.08 | 30.29 |
| End of period | 12.71 | 21.69 | 25.08 | 27.27 |
| **Share price (American Depositary Shares, USD)** | | | | |
| Average | 13.84 | 25.43 | 28.98 | 28.85 |
| Minimum | 10.21 | 20.48 | 24.84 | 24.56 |
| Maximum | 21.36 | 29.69 | 33.19 | 33.84 |
| End of period | 13.14 | 21.69 | 25.08 | 30.84 |
| **Market capitalization** | | | | |
| Market capitalization (CHF million) | 26,563 | 42,456 | 40,308 | 43,526 |
| Market capitalization (USD million) | 27,461 | 42,456 | 40,308 | 49,224 |
| **Dividend per share (CHF)** | | | | |
| Dividend per share | – | 0.70 [1] | 0.70 [1] | 0.70 [1] |

[1] Paid out of capital contribution reserves.

## Ticker symbols / stock exchange listings

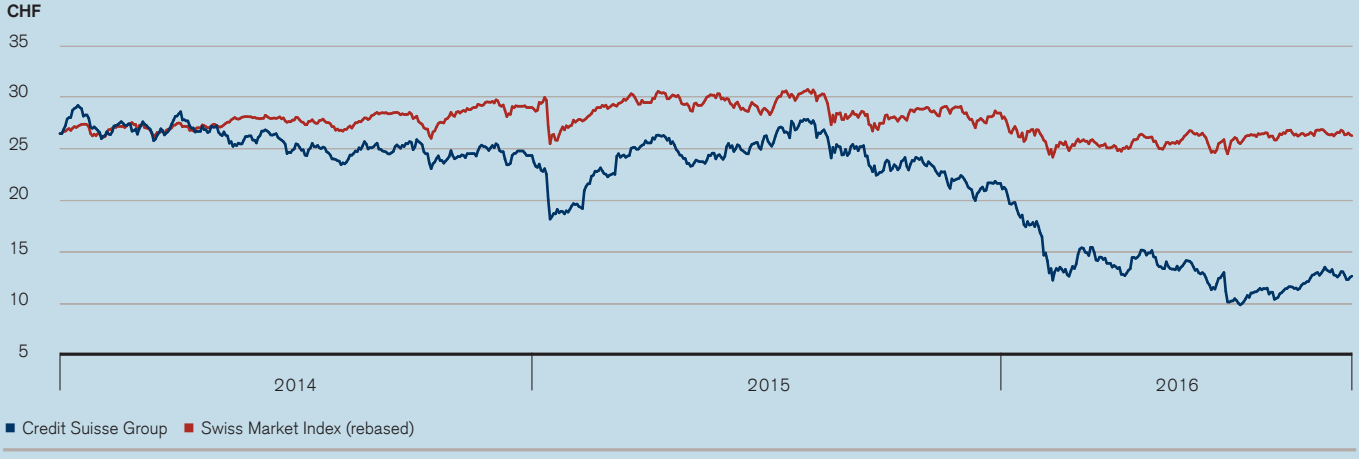
| | Common shares | ADS [1] |
|---|---|---|
| **Ticker symbols** | | |
| SIX Financial Information | CSGN | – |
| Bloomberg | CSGN VX | CS US |
| Reuters | CSGN.VX | CS.N |
| **Stock exchange listings** | | |
| Swiss security number | 1213853 | 570660 |
| ISIN number | CH0012138530 | US2254011081 |
| CUSIP number | – | 225 401 108 |

[1] One American Depositary Share (ADS) represents one common share.

## Bond ratings

| as of November 2, 2016 | Moody's | Standard & Poor's | Fitch Ratings |
|---|---|---|---|
| **Credit Suisse Group ratings** | | | |
| Short-term | – | – | F2 |
| Long-term | Baa3 | BBB+ | A- |
| Outlook | Stable | Stable | Stable |
| **Credit Suisse (the Bank) ratings** | | | |
| Short-term | P-1 | A-1 | F1 |
| Long-term | A2 | A | A |
| Outlook | Stable | Stable | Stable |

## Share performance



# Financial calendar and contacts

| Financial calendar | |
|---|---|
| Fourth quarter results 2016 | Wednesday, February 15, 2017 |

| Investor relations | |
|---|---|
| Phone | +41 44 333 71 49 |
| E-mail | investor.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/investors |

| Media relations | |
|---|---|
| Phone | +41 844 33 88 44 |
| E-mail | media.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/news |

| Additional information | |
|---|---|
| Results and financial information | www.credit-suisse.com/results |
| Printed copies | Credit Suisse AG |
| | GCPD 1 |
| | 8070 Zurich |
| | Switzerland |

| US share register and transfer agent | |
|---|---|
| | Deutsche Bank |
| ADS depositary bank | Trust Company Americas |
| Address | American Stock Transfer & Trust Co. |
| | Operations Center |
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| | Brooklyn, NY 11219 |
| | United States |
| US and Canada phone | +1 866 249 2593 |
| Phone from outside US and Canada | +1 718 921 8124 |
| E-mail | DB@amstock.com |

| Swiss share register and transfer agent | |
|---|---|
| Address | Credit Suisse Group AG |
| | Share Register RXS |
| | 8070 Zurich |
| | Switzerland |
| Phone | +41 44 332 02 02 |
| E-mail | share.register@credit-suisse.com |

## Foreign currency translation rates

| | End of | | | | Average in | | | | Average in |
|---|---|---|---|---|---|---|---|---|---|
| | **3Q16** | 2Q16 | 4Q15 | 3Q15 | **3Q16** | 2Q16 | 3Q15 | **9M16** | 9M15 |
| 1 USD / CHF | 0.97 | 0.97 | 0.99 | 0.98 | 0.97 | 0.97 | 0.96 | 0.98 | 0.95 |
| 1 EUR / CHF | 1.09 | 1.08 | 1.08 | 1.09 | 1.09 | 1.10 | 1.07 | 1.09 | 1.06 |
| 1 GBP / CHF | 1.26 | 1.30 | 1.47 | 1.48 | 1.28 | 1.40 | 1.49 | 1.37 | 1.46 |
| 100 JPY / CHF | 0.96 | 0.95 | 0.82 | 0.82 | 0.95 | 0.90 | 0.79 | 0.90 | 0.79 |

**Cautionary statement regarding forward-looking information**

This report contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in "Risk factors" in I – Information on the company in our Annual Report 2015.

## CREDIT SUISSE ANNUAL REPORTING SUITE




Our 2015 annual publication suite consisting of Annual Report and Corporate Responsibility Report, which also contains the Company Profile, is available on our website www.credit-suisse.com/investors.

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

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## Form 6-K

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**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

September 7, 2016

Commission File Number 001-15244

# CREDIT SUISSE GROUP AG

(Translation of registrant's name into English)

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

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Commission File Number 001-33434

# CREDIT SUISSE AG

(Translation of registrant's name into English)

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

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1):

**Note**: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

This report on Form 6-K is being filed by Credit Suisse Group AG and Credit Suisse AG and is hereby incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and the Registration Statements on Form S-8 (file no. 333-101259 and file no. 333-208152), except for the following sentence: “Further information about Credit Suisse can be found at www.credit-suisse.com” of the Media Release.



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## Media Release

# Brian Chin to succeed Timothy O’Hara as CEO of Global Markets. Eric M. Varvel appointed President and CEO of Credit Suisse Holdings (USA), Inc. the bank’s recently designated Intermediate Holding Company (IHC)

Zurich / New York, September 6, 2016 **Credit Suisse Group announced today that Tim O’Hara will be succeeded by Brian Chin, currently Co-Head of Credit, as CEO of Global Markets. Brian Chin will join the Executive Board of Credit Suisse Group AG. The bank also announced that Eric Varvel is appointed President and CEO of Credit Suisse Holdings (USA), Inc., in addition to his current responsibilities as Global Head of Asset Management. These changes are effective immediately.**

Urs Rohner, Chairman of the Board of Credit Suisse said: “Tim O’Hara has been instrumental in driving the successful restructuring of the Global Markets division in a challenging market and regulatory environment. We greatly appreciate Tim’s excellent contribution to the firm during his long tenure at Credit Suisse.”

“We are very pleased that Brian Chin will become CEO of Global Markets and join the Executive Board of the bank. He is a proven business leader and provides continued strong experience and deep knowledge of Global Markets. Eric Varvel will provide critical continuity at Credit Suisse Holdings (USA), Inc., with his extensive background in investment banking and his proven leadership skills in various key roles as a former member of the Executive Board.”

Tidjane Thiam, CEO of Credit Suisse said: “I am grateful to Tim O’Hara for his leadership, management and commitment to Credit Suisse over many years. Since joining the bank in 1986, Tim has excelled in a number of senior roles across Fixed Income and Equities. He has contributed enormously to the development of our Global Markets franchise, establishing market leading positions in many of our core products and services which he managed. I am especially thankful to Tim for steering Global Markets through its recent accelerated restructuring program, returning the division to profitability in Q2 and ensuring that some of the positive momentum of the division in Q2 has continued over the summer months.”

“I am excited to welcome Brian Chin to the Executive Board and I congratulate him on his new responsibilities as CEO of Global Markets. Since joining the bank in 2003, Brian has been one of our strongest risk managers and has

been an integral part in developing the strength of our Global Markets franchise. In addition, he is an exceptional leader and culture carrier for the firm. He is well positioned to take Global Markets to the next stage in its development."

"I welcome Eric Varvel to the role of President and CEO of Credit Suisse Holdings (USA), Inc. Eric is one of the firm's most accomplished professionals, adding considerable experience and expertise to the role. Over his 25-year career at Credit Suisse, Eric has held a number of senior positions including: CEO of Asia Pacific, CEO of the Investment Bank, and CEO of Europe, Middle East and Africa. He also served on





the Executive Board for six years from February 2008 to October 2014. Eric will continue to lead our Global Asset Management activities in addition to this new role. I look to Eric to provide our bank with leadership, insight, governance and accountability as we develop our franchise in the United States, maximize its potential and deliver significant value to our clients."

"I am confident that these management changes that I have proposed and that have been approved by the Board of Directors of Credit Suisse Group AG will drive a continued improvement in the performance of our bank."

**Information**
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Investor Relations, Credit Suisse, tel: +41 44 333 71 49, investor.relations@credit-suisse.com

**Credit Suisse AG**
Credit Suisse AG is one of the world's leading financial services providers and is part of the Credit Suisse group of companies (referred to here as 'Credit Suisse'). As an integrated bank, Credit Suisse offers clients its combined expertise in the areas of private banking, investment banking and asset management. Credit Suisse provides advisory services, comprehensive solutions and innovative products to companies, institutional clients and high-net-worth private clients globally, as well as to retail clients in Switzerland. Credit Suisse is headquartered in Zurich and operates in over 50 countries worldwide. The group employs approximately 47'180 people. The registered shares (CSGN) of Credit Suisse's parent company, Credit Suisse Group AG, are listed in Switzerland and, in the form of American Depositary Shares (CS), in New York. Further information about Credit Suisse can be found at www.credit-suisse.com.

**Cautionary statement regarding forward-looking information**
This media release contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:
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– our future economic performance or prospects;
– the potential effect on our future performance of certain contingencies; and
– assumptions underlying any such statements.
Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forwardlooking statements. These factors include:
– the ability to maintain sufficient liquidity and access capital markets;
– market volatility and interest rate fluctuations and development s affecting interest rate levels;
– the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
– the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
– adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
– the ability to achieve our strategic objectives, including impr oved performance, reduced risks, lower costs and more efficient use of capital;
– the ability of counterparties to meet their obligations to us;
– the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
– political and social developments, including war, civil unrest or terrorist activity;
– the possibility of foreign exchange controls, expropriation, na tionalization or confiscation of assets in countries in which we conduct our operations;
– operational factors such as systems failure, human error, or the failure to implement procedures properly;
–

actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
– the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
– competition or changes in our competitive position in geographic and business areas in which we conduct our operations;



– the ability to retain and recruit qualified personnel;
– the ability to maintain our reputation and promote our brand;
– the ability to increase market share and control expenses;
– technological changes;
– the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
– acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
– the adverse resolution of litigation, regulatory proceedings and other contingencies;
– the ability to achieve our cost efficiency goals and cost target s; and
– our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk factors” in I – Information on the company in our Annual Report 2015.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

CREDIT SUISSE GROUP AG and CREDIT SUISSE AG
(Registrants)

By: /s/ Christian Schmid
Christian Schmid
Managing Director

/s/ Stephan Flückiger
Stephan Flückiger
Director

Date: September 7, 2016

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

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## Form 6-K

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**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

September 6, 2016

Commission File Number 001-15244

# CREDIT SUISSE GROUP AG

(Translation of registrant's name into English)

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

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Commission File Number 001-33434

# CREDIT SUISSE AG

(Translation of registrant's name into English)

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

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1):

**Note**: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

This report on Form 6-K is being filed by Credit Suisse Group AG and Credit Suisse AG and is hereby incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and the Registration Statements on Form S-8 (file no. 333-101259 and file no. 333-208152), except for the following sentence: “Further information about Credit Suisse can be found at www.credit-suisse.com” of the Media Release.



**CREDIT SUISSE GROUP AG**
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P.O. Box
CH-8070 Zurich
Switzerland

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Fax +41 44 333 88 77
media.relations@credit-suisse.com

## Media Release

# Credit Suisse Appoints Further Members of the Board of Directors of Credit Suisse (Switzerland) Ltd.

Zurich, September 5, 2016 **Credit Suisse announced today that Alexandre Zeller and Dr. Peter Derendinger will join the Board of Directors of the Swiss legal entity Credit Suisse (Switzerland) Ltd. as external members. Alexandre Zeller will be appointed Chairman of the Board of Directors of Credit Suisse (Switzerland) Ltd. with effect from October 1, 2016. In addition, he will be proposed for election as a member of the Board of Directors of the Group at the next Annual General Meeting of Credit Suisse Group AG.**

Credit Suisse (Switzerland) Ltd. was established in April 2015 as a wholly owned subsidiary of Credit Suisse AG in order to support the realization of the Group's strategic objectives, to further increase its resilience, and to meet rigorous regulatory requirements. As previously announced, Credit Suisse (Switzerland) Ltd. is expected to start its business operations as an independent Swiss bank within Credit Suisse Group AG in the fourth quarter of 2016, once the relevant regulatory approvals have been obtained.

In view of this fact, the Board of Directors of Credit Suisse (Switzerland) Ltd. will be joined by additional Swiss members from outside the bank who have extensive financial experience and are thoroughly familiar with the Swiss financial center. It is important that the Board of Directors of the new legal entity has a profound understanding of the Swiss market and its crucial significance for Credit Suisse. Alexandre Zeller will become Chairman of the Board of Directors of Credit Suisse (Switzerland) Ltd. on October 1, 2016, and will step down as Chairman of the Board of Directors of SIX Group Ltd. at the end of September 2016. In addition, he will be proposed for election as a member of the Board of Directors of the Group at the next Annual General Meeting of Credit Suisse Group AG. Dr. Peter Derendinger, founder and CEO of Alpha Associates Ltd., will be appointed a member of the Board of Directors of Credit Suisse (Switzerland) Ltd. and it is intended that he will take on the role of Chairman of its Risk Committee.

Urs Rohner, Chairman of the Board of Directors of Credit Suisse Group AG, stated: "Thanks to their broad specialist knowledge and extensive experience in the financial sector, the new members will be valuable additions to the Board of Directors of our Swiss legal entity. We are proud that Alexandre Zeller has accepted the role of Chairman of the Board of Directors of Credit Suisse (Switzerland) Ltd. He has in-depth experience of the Swiss financial industry and is also thoroughly familiar with the international environment. The intention to also appoint Alexandre

Zeller to the Group's Board of Directors highlights the major importance of the Swiss business for the whole of Credit Suisse."

Alexandre Zeller, designated Chairman of the Board of Directors of Credit Suisse (Switzerland) Ltd., stated: "I am delighted to be taking on this new challenge. Credit Suisse is an institution with deep roots in Switzerland, is at the forefront in terms of expertise, and has first-class employees and promising ideas for



the future. This is an amazing opportunity as I will be able to actively influence the bank's story and play a part in further raising its profile and developing the company's plans for the future."

Urs Rohner added: "Additionally, I am delighted that in Dr. Peter Derendinger we have another experienced financial expert on the Board of Directors. He can also look back on a long and successful career in the Swiss financial industry. The newly formed Board of Directors will benefit greatly from his extensive knowledge and wealth of experience."

In order to underscore the key significance of the Swiss legal entity for Credit Suisse, Tidjane Thiam, CEO of Credit Suisse Group AG, will also join the Board of Directors of Credit Suisse (Switzerland) Ltd.

The Board of Directors of Credit Suisse (Switzerland) Ltd. will therefore comprise the following members as of October 1, 2016:

- Alexandre Zeller, designated Chairman of the Board of Directors
- Peter Derendinger
- Alexander Gut
- Andreas Koopmann
- Urs Rohner
- Severin Schwan
- Tidjane Thiam

**Short biographies of Alexandre Zeller and Dr. Peter Derendinger**

**Alexandre Zeller** has been Chairman of the Board of Directors of SIX Group since May 2013. After completing his studies at the University of Lausanne (Business Administration) and the Harvard Business School in Boston (Advanced Management Program), he then worked in International Operational Audit at Nestlé in Vevey from 1984 to 1987. He subsequently held various functions at Credit Suisse in Zurich up to 2002, during which time he was appointed to the Executive Board of Private Banking Switzerland in 1999. After working as CEO of Banque Cantonale Vaudoise in Lausanne from 2002 to 2008, he then moved to HSBC Private Bank (Suisse) in Geneva, where he worked up until 2012 as CEO, Country Manager Switzerland, and Regional CEO Global Private Banking EMEA. Since 2012, Alexandre Zeller has held mandates as a professional board member with various companies and foundations in Switzerland.

**Dr. Peter Derendinger** is the founding partner and CEO of Alpha Associates AG, an independent company headquartered in Zurich that manages and advises on investments in private equity, private debt and infrastructure. Prior to the founding of Alpha Associates in 2004, Dr. Derendinger spent a year managing the operating business of Swiss Life Private Equity Partners, which was then acquired by Alpha Associates as part of a spin-out with effect from April 1, 2004. Peter Derendinger holds a doctorate in law from the University of Fribourg, Switzerland, as well as an LL.M. from the Northwestern University School of Law, Chicago. After an earlier career as an attorney, Dr. Derendinger joined Credit Suisse Group in 1989, where he then held various management positions until the end of 2001.

**Information**
Media Relations Credit Suisse, tel. +41 844 33 88 44, media.relations@credit-suisse.com

**Credit Suisse AG**
Credit Suisse AG is one of the world's leading financial services providers and is part of the Credit Suisse group of companies (referred to here as 'Credit Suisse'). As an integrated bank, Credit Suisse offers clients its combined expertise in the areas of private banking, investment banking and asset management. Credit Suisse provides advisory services, comprehensive solutions and innovative products to companies, institutional clients and high-net-worth private clients globally, as well as to retail clients in Switzerland. Credit Suisse is headquartered in Zurich and operates in over 50 countries worldwide. The group employs approximately 47’180 people. The registered shares (CSGN) of Credit Suisse's parent company, Credit Suisse Group AG, are listed in Switzerland and, in the form of American Depositary Shares (CS), in New York. Further information about Credit Suisse can be found at www.credit-suisse.com.

**Cautionary statement regarding forward-looking information**
This media release contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:
- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.
By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements. These factors include:
- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and development s affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular
- the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including impr oved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, na tionalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;

- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings and other contingencies;
- the ability to achieve our cost efficiency goals and cost target s; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk factors” in I – Information on the company in our Annual Report 2015.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

CREDIT SUISSE GROUP AG and CREDIT SUISSE AG
(Registrants)

By: /s/ Christian Schmid
Christian Schmid
Managing Director

/s/ Stephan Flückiger
Stephan Flückiger
Director

Date: September 6, 2016

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

# Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

July 28, 2016

Commission File Number 001-33434

# CREDIT SUISSE AG
(Translation of registrant's name into English)

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

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

# Introduction

On July 28, 2016, the Credit Suisse Financial Report 2Q16 was published. A copy of the Financial Report is attached as an exhibit to this report on Form 6-K. This report on Form 6-K (including the exhibits hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and (ii) shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended, except, in the case of both (i) and (ii), the sections of the attached Financial Report entitled "Message from the Chairman and the Chief Executive Officer", "Investor information" and "Financial calendar and contacts".

Credit Suisse Group AG and Credit Suisse AG file an annual report on Form 20-F and furnish or file quarterly reports, including unaudited interim financial information, and other reports on Form 6-K with the US Securities and Exchange Commission (SEC) pursuant to the requirements of the Securities Exchange Act of 1934, as amended. The SEC reports of Credit Suisse Group AG and Credit Suisse AG are available to the public over the internet at the SEC's website at www.sec.gov and from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 (telephone 1-800-SEC-0330). The SEC reports of Credit Suisse Group AG and Credit Suisse AG are also available under "Investor Relations" on Credit Suisse Group AG's website at www.credit-suisse.com and at the offices of the New York Stock Exchange, 20 Broad Street, New York, NY 10005.

Unless the context otherwise requires, references herein to "Credit Suisse Group," "Credit Suisse," "the Group," "we," "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries and the term "the Bank" means Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

SEC regulations require certain information to be included in registration statements relating to securities offerings. Such additional information for the Bank is included in this report on Form 6-K, which should be read together with the Group's and the Bank's annual report on Form 20-F for the year ended December 31, 2015 (Credit Suisse 2015 20-F), the Group's financial report for the first quarter of 2016, furnished to or filed with the SEC on Form 6-K on May 10, 2016, and the Group's financial report for the second quarter of 2016, furnished to or filed with the SEC as Exhibit 99.1 hereto.

The Bank, a Swiss bank and joint stock corporation established under Swiss law, is a wholly-owned subsidiary of the Group. The Bank's registered head office is in Zurich, and it has additional executive offices and principal branches in London, New York, Hong Kong, Singapore and Tokyo.

References herein to "CHF" are to Swiss francs.

# Forward-looking statements

This Form 6-K and the information incorporated by reference in this Form 6-K include statements that constitute forward-looking statements. In addition, in the future the Group, the Bank and others on their behalf may make statements that constitute forward-looking statements.

When evaluating forward-looking statements, you should carefully consider the cautionary statement regarding forward-looking information, the risk factors and other information set forth in the Credit Suisse 2015 20-F, and subsequent annual reports on Form 20-F filed by the Group and the Bank with the SEC and the Group's and the Bank's reports on Form 6-K furnished to or filed with the SEC, and other uncertainties and events.

# Key information

## Condensed consolidated financial statements

The Bank's condensed consolidated financial statements – unaudited as of and for the six months ended June 30, 2016 and 2015 are attached as Exhibit 99.2 to this Form 6-K.

# Operating and financial review and prospects

Except where noted, the business of the Bank is substantially the same as the business of the Group, and substantially all of the Bank's operations are conducted through the Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit segments. These segment results are included in Core Results, except for the Strategic Resolution Unit, which is part of the Credit Suisse Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the six segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Swiss Universal Bank, financing vehicles of the Group and hedging activities relating to share-based compensation awards. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

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

The discussion of the Group's Core Results for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 is included in the Group's Form 6-K filed with the SEC on July 28, 2016 and incorporated herein by reference. For further information on the differences between the Group and the Bank, refer to *Note 32 – Subsidiary guarantee information in III – Condensed consolidated financial statements – unaudited in the Group's financial report for the second quarter of 2016 (Credit Suisse Financial Report 2Q16)*.

# Exhibits

| No. | Description |
|---|---|
| 12.1 | Ratio of earnings to fixed charges |
| 23.1 | Letter regarding unaudited financial information from the Independent Registered Public Accounting Firm |
| 99.1 | Credit Suisse Financial Report 2Q16 |
| 99.2 | Credit Suisse (Bank) Financial Statements 6M16 |
| 101.1 | Interactive data files (XBRL-related documents) – Credit Suisse AG |

# Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CREDIT SUISSE AG**

(Registrant)

Date: July 28, 2016

By:
/s/ Tidjane Thiam
Tidjane Thiam
Chief Executive Officer

By:
/s/ David R. Mathers
David R. Mathers
Chief Financial Officer

# Ratio of earnings to fixed charges

## Ratio of earnings to fixed charges – Bank

| in | **6M16** | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| **Ratio of earnings to fixed charges (CHF million)** | | | | | | |
| Income/(loss) from continuing operations before taxes, noncontrolling interests, extraordinary items and cumulative effect of accounting changes | (703) | (2,938) | 2,961 | 3,654 | 1,779 | 2,664 |
| Income/(loss) from equity method investments | (69) | (210) | (231) | (240) | (144) | (134) |
| **Pre-tax earnings from continuing operations** | **(772)** | **(3,148)** | **2,730** | **3,414** | **1,635** | **2,530** |
| Fixed charges: | | | | | | |
| Interest expense | 5,293 | 9,990 | 9,908 | 11,307 | 14,757 | 16,464 |
| Interest portion of rentals [1] | 255 | 528 | 618 | 632 | 629 | 580 |
| Preferred dividend requirements | 0 | 0 | 53 | 236 | 231 | 216 |
| **Total fixed charges** | **5,548** | **10,518** | **10,579** | **12,175** | **15,617** | **17,260** |
| **Pre-tax earnings before fixed charges** | **4,776** | **7,370** | **13,309** | **15,589** | **17,252** | **19,790** |
| Noncontrolling interests | 2 | (7) | 445 | 669 | 333 | 901 |
| **Earnings before fixed charges and provision for income taxes** | **4,774** | **7,377** | **12,864** | **14,920** | **16,919** | **18,889** |
| **Ratio of earnings to fixed charges** | **0.86** | **0.70** | **1.22** | **1.23** | **1.08** | **1.09** |

[1] Amounts reflect a portion of premises and real estate expenses deemed representative of the interest factor.

# Letter regarding unaudited financial information from the Independent Registered Public Accounting Firm

Credit Suisse AG
Zurich, Switzerland

**Re: Registration Statement No. 333-202913**

With respect to the subject registration statement, we acknowledge our awareness of the incorporation by reference therein of our report dated July 28, 2016 related to our review of interim financial information of Credit Suisse AG as of June 30, 2016 and for the six-month periods ended June 30, 2016 and 2015.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

KPMG AG

Nicholas Edmonds
*Licensed Audit Expert*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
July 28, 2016

CREDIT SUISSE

# Financial Report

2Q16

## Key metrics

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | | | | |
| Net income/(loss) attributable to shareholders | 170 | (302) | 1,051 | – | (84) | (132) | 2,105 | – |
| Basic earnings/(loss) per share (CHF) | 0.08 | (0.15) | 0.61 | – | (87) | (0.07) | 1.23 | – |
| Diluted earnings/(loss) per share (CHF) | 0.08 | (0.15) | 0.59 | – | (86) | (0.07) | 1.20 | – |
| Return on equity attributable to shareholders (%) | 1.5 | (2.6) | 10.0 | – | – | (0.6) | 10.0 | – |
| Effective tax rate (%) | 10.6 | 37.0 | 35.6 | – | – | 55.4 | 33.7 | – |
| **Core Results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 5,471 | 5,179 | 6,545 | 6 | (16) | 10,650 | 12,877 | (17) |
| Provision for credit losses | 9 | 35 | 39 | (74) | (77) | 44 | 65 | (32) |
| Total operating expenses | 4,504 | 4,375 | 4,600 | 3 | (2) | 8,879 | 9,091 | (2) |
| Income before taxes | 958 | 769 | 1,906 | 25 | (50) | 1,727 | 3,721 | (54) |
| Cost/income ratio (%) | 82.3 | 84.5 | 70.3 | – | – | 83.4 | 70.6 | – |
| **Assets under management and net new assets (CHF billion)** | | | | | | | | |
| Assets under management | 1,218.4 | 1,180.8 | 1,347.6 | 3.2 | (9.6) | 1,218.4 | 1,347.6 | (9.6) |
| Net new assets | 12.1 | 10.5 | 13.7 | 15.2 | (11.7) | 22.6 | 28.6 | (21.0) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 821,164 | 813,898 | 879,322 | 1 | (7) | 821,164 | 879,322 | (7) |
| Net loans | 273,835 | 270,248 | 270,171 | 1 | 1 | 273,835 | 270,171 | 1 |
| Total shareholders' equity | 44,962 | 44,997 | 42,642 | 0 | 5 | 44,962 | 42,642 | 5 |
| Tangible shareholders' equity | 40,026 | 40,123 | 34,199 | 0 | 17 | 40,026 | 34,199 | 17 |
| **Basel III regulatory capital and leverage statistics** | | | | | | | | |
| Risk-weighted assets (CHF million) | 275,056 | 283,937 | 281,886 | (3) | (2) | 275,056 | 281,886 | (2) |
| CET1 ratio (%) | 14.2 | 13.6 | 13.9 | – | – | 14.2 | 13.9 | – |
| Look-through CET1 ratio (%) | 11.8 | 11.4 | 10.3 | – | – | 11.8 | 10.3 | – |
| Look-through CET1 leverage ratio (%) | 3.3 | 3.3 | 2.7 | – | – | 3.3 | 2.7 | – |
| Look-through Tier 1 leverage ratio (%) | 4.4 | 4.4 | 3.7 | – | – | 4.4 | 3.7 | – |
| **Share information** | | | | | | | | |
| Shares outstanding (million) | 2,081.4 | 1,946.4 | 1,632.4 | 7 | 28 | 2,081.4 | 1,632.4 | 28 |
| of which common shares issued | 2,089.9 | 1,957.4 | 1,638.4 | 7 | 28 | 2,089.9 | 1,638.4 | 28 |
| of which treasury shares | (8.5) | (11.0) | (6.0) | (23) | 42 | (8.5) | (6.0) | 42 |
| Book value per share (CHF) | 21.60 | 23.12 | 26.12 | (7) | (17) | 21.60 | 26.12 | (17) |
| Tangible book value per share (CHF) | 19.23 | 20.61 | 20.95 | (7) | (8) | 19.23 | 20.95 | (8) |
| Market capitalization (CHF million) | 21,547 | 26,640 | 42,107 | (19) | (49) | 21,547 | 42,107 | (49) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 47,180 | 47,760 | 46,610 | (1) | 1 | 47,180 | 46,610 | 1 |

See relevant tables for additional information on these metrics.

# Financial Report 2Q16


**Message from the Chairman and the Chief Executive Officer** 2

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For purposes of this report, unless the context otherwise requires, the terms "Credit Suisse," "the Group," "we," "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the Swiss bank subsidiary of the Group, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar. We use the term "the Bank" when we are only referring to Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

Abbreviations are explained in the List of abbreviations in the back of this report.

Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report.

In various tables, use of "–" indicates not meaningful or not applicable.

# MESSAGE FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

**Dear shareholders**

We operated profitably in 2Q16 with a resilient performance across all our businesses. We further improved our capital strength to allow us to continue our necessary restructuring while investing, when justified, in opportunities with attractive risk-adjusted returns. We delivered strong results in our geographic focused divisions of Swiss Universal Bank (SUB), Asia Pacific (APAC) and International Wealth Management (IWM), and our Investment Banking and Capital Markets (IBCM) division returned to profitability in 2Q16. In parallel, we made significant progress in the right-sizing and de-risking of Global Markets (GM). We have continued to generate significant cost savings in GM as we build a more efficient and more resilient platform through significant front-to-back process redesign. All these actions are aimed at ensuring that Credit Suisse is better positioned for long-term profitable growth.



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

**Financial performance**

Credit Suisse reported net income attributable to shareholders of CHF 170 million and pre-tax income of CHF 199 million in 2Q16 (adjusted*: CHF 290 million). These results were primarily driven by contributions from APAC, IWM and SUB, which produced combined adjusted* pre-tax income of CHF 933 million in 2Q16 and delivered strong wealth management net new assets of CHF 11.3 billion.

In our home market of Switzerland, we delivered a solid performance with adjusted* pre-tax income of CHF 457 million. In SUB, we remained focused on further optimizing revenue generation by strengthening our Bank for Entrepreneurs and *Credit Suisse Invest* as part of our commitment to delivering expert service and advice to the full spectrum of clients. Our investment bank in Switzerland achieved good momentum and ranked no. 1 in terms of announced M&A transactions[1] and debt capital markets deals[2] during the quarter. It was also named 'Best Investment Bank in Switzerland' for 2016 by Euromoney magazine for the fifth consecutive year. In Switzerland, we have applied for a Swiss banking license and expect Credit Suisse (Schweiz) AG to commence operations in 4Q16 subject to, among other things, regulatory approval.

In Asia Pacific, which is a key target growth market for Credit Suisse, we have a strong franchise, and our clients value our ability to offer a broad range of wealth management and investment banking products and services based on our integrated approach. Within our APAC division, our wealth management business continued to grow, and we saw strong demand among ultra-high-net-worth entrepreneurs for our financing services in the first half of the year. Our Underwriting & Advisory business achieved growth and increased share of wallet[3] in an environment of declining fee pools.

In parallel, we continued to make progress in building our IWM franchise. We continued to generate net new assets across businesses and geographies, reflecting our ability to create value for our clients with solid inflows from the emerging markets and Europe. A number of landmark deals were completed that helped to mitigate lower transaction- and performance-based revenues, in part, during the quarter. In our Asset Management business, we achieved net new assets with an attractive product margin mix, including the successful launch of the Nova Fixed Maturity Bond Fund in April that has since attracted over CHF 3 billion of assets due to strong client demand.

We are continuing to make targeted investments in our business. Our ambition is to be the preferred partner to ultra-high-net-worth individuals and high-net-worth individuals, who represent a key client segment for Credit Suisse, as well as to institutional clients and our retail clients in Switzerland. Similarly, to better serve this client base, we are continuing to make targeted hires and had a total of 650 relationship managers in APAC at end-2Q16. In IWM, we also made progress in our efforts to attract additional relationship managers to our platform, with an increase in hiring activity of around 40% compared to the first half of 2015. In SUB, we made targeted investments in branding and advertising, as well as in digitalization initiatives and regulatory projects.

In IBCM, we had a strong quarter across our underwriting and advisory business. In 2Q16, we recorded adjusted* pre-tax income of USD 132 million, a significant improvement compared to 1Q16.

The right-sizing and de-risking of GM is a critical element of our strategic plan. In 2Q16, we made solid progress in the accelerated restructuring of the division. By end-2Q16, we had further reduced capital consumption in GM, completed the transfer of assets to the Strategic Resolution Unit (SRU) and transferred GM's foreign exchange activities to SUB. We significantly de-risked GM,

thereby further reducing capital usage during the quarter. Today, we are operating within our end-2016 RWA and leverage exposure targets. We also further lowered our cost base compared to 2Q15. Finally, we made clear progress in 2Q16 in re-invigorating our client-driven activity and improved revenue generation in our core Equities, Credit and Solutions franchises compared to 1Q16. As a result, GM operated profitably in 2Q16 with adjusted* pre-tax income of USD 208 million.

The SRU made further substantial progress in reducing risk-weighted assets, leverage exposure and costs and in winding down businesses, thus freeing up significant capital to reinvest in our growth markets.

**Strengthening our capital position**

Credit Suisse reported a look-through Common Equity Tier 1 (CET1) capital ratio of 11.8% at end-2Q16, an increase of around 40 basis points from 11.4% at the end of 1Q16, reflecting disciplined capital management and improved profitability. We aim to maintain a look-through CET1 capital ratio of between 11-12%[4] for the remainder of 2016 to help continue our restructuring while investing, when justified, in opportunities with attractive risk-adjusted returns. At end-2Q16, Credit Suisse reported a look-through CET1 leverage ratio of 3.3%.

In summary, Credit Suisse operated profitably in 2Q16. We have remained focused on serving our clients during a challenging quarter. APAC, IWM and SUB have attracted significant wealth management asset inflows. IBCM has been able to gain market share across key products and generated a profit for the bank. Additionally, the restructured GM platform has generated a profit. Risks in GM have been reduced and, in the first half of the year, we achieved our target of reducing the expected quarterly pre-tax loss by 50% in an adverse stress scenario. Our cost cutting program is progressing at pace and we are working hard to build a more flexible, more resilient and more efficient bank that is fit for the new post-crisis regulatory and economic environment.

**Outlook**

We remain cautious in our outlook for the second half of 2016 in view of the uncertainty created by significant geopolitical and macroeconomic concerns, reinforced a few weeks ago by the outcome of the UK referendum. In the coming quarters, we will continue to work steadily towards delivering on our longer-term objectives and creating value for our clients and shareholders.

We would like to express our sincere thanks to all Credit Suisse employees around the globe for their continued hard work, dedication and support. We also wish to thank our clients and our shareholders for the trust they place in Credit Suisse.

Best regards



Urs Rohner
Chairman of the
Board of Directors

Tidjane Thiam
Chief Executive Officer

July 2016

* Adjusted results are non-GAAP financial measures. For a reconciliation of the adjusted results to the most directly comparable US GAAP measures, see the "Reconciliation of adjusted results" tables in I – Credit Suisse results.

[1] Source: Thomson Securities, SDC Platinum, Credit Suisse.

[2] Source: International Financing Review.

[3] Dealogic data based on external published view as of 07/06/2016. ECM excludes convertibles.

[4] Making no provision for significant litigation expenses.

**Important information**

When we refer to wealth management focused divisions throughout this document, we mean APAC, IWM and SUB. References to the "wealth management" businesses in APAC, IWM and SUB refer to those divisions' Private Banking businesses.

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

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

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

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

This document contains forward-looking statements that involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward-looking statements. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements, including those we identify in "Risk Factors" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2015 filed with the US Securities and Exchange Commission, and in other public filings and press releases. We do not intend to update these forward-looking statements except as may be required by applicable law.

# Credit Suisse at a glance

## Credit Suisse

Our strategy builds on Credit Suisse's core strengths: its position as a leading global wealth manager, its specialist investment banking capabilities and its strong presence in our home market of Switzerland. We take a balanced approach to capture the wealth management opportunities in emerging markets, the largest of which is in the Asia Pacific region, while also serving key developed markets with an emphasis on Switzerland. Founded in 1856, we today have a global reach with operations in about 50 countries and 47,180 employees from over 150 different nations. Our broad footprint helps us to generate a geographically balanced stream of revenues and net new assets and allows us to capture growth opportunities around the world. We serve our clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specializing in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with our strategic direction. Our business divisions cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

## Swiss Universal Bank

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

## International Wealth Management

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

## Asia Pacific

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

## Global Markets

The Global Markets division offers a broad range of equities and fixed income products and services and focuses on client-driven businesses and on supporting Credit Suisse's private banking businesses and their clients. Our suite of products and services includes global securities sales, trading and execution services, prime brokerage, underwriting and comprehensive investment research. Our clients include financial institutions, corporations, governments, institutional investors – including pension funds and hedge funds – and private individuals around the world.

## Investment Banking & Capital Markets

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

## Strategic Resolution Unit

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

# Credit Suisse results


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# Operating environment

During 2Q16, economic indicators showed subdued global growth, as economic activity in developed markets increased slightly and remained largely stable in emerging markets. Global equity markets ended the quarter slightly higher, though world bank stocks underperformed. Government bond yields declined further. The US dollar strengthened against most major currencies.

## ECONOMIC ENVIRONMENT

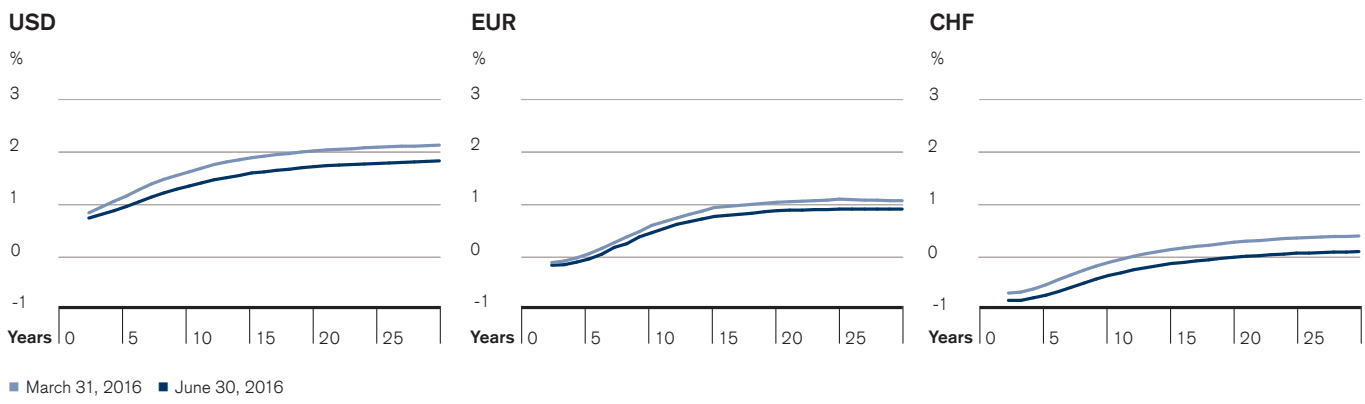
Economic growth in the US improved compared to 1Q16, as retail sales strengthened and construction activity increased slightly. Labor market data in the US was mixed, with some data signaling a slowdown in hiring even as the unemployment rate fell to its lowest level since November 2007. Inflation rates in the US barely changed compared to 1Q16, remaining at low levels. Eurozone economic data remained resilient overall, and inflation remained close to zero. In the UK, economic momentum remained subdued in light of political uncertainty surrounding the decision of voters in the UK to leave the European Union. Across major emerging markets, the economic picture improved somewhat in Russia, remained weak in Brazil and showed signs of stabilization in China.

During 2Q16, the US Federal Reserve (Fed) kept interest rates unchanged and signaled it would increase them at a slower pace than it had previously indicated. The European Central bank (ECB) began to purchase corporate bonds in June, but otherwise left its monetary policy unchanged, with interest rates remaining at very low levels. The Bank of Japan delayed making changes to its monetary policy, while the Reserve Bank of Australia lowered interest rates again. The central banks in India and Russia lowered interest rates, while those in China and Brazil left them unchanged.

Global equity markets finished 2Q16 slightly higher compared to the end of 1Q16, generally supported by improved commodity markets and accommodative monetary policies of major central banks (refer to the charts “Equity markets”). The outcome of the UK referendum on European Union membership caused significant volatility in the financial markets, and led to a sharp increase in risk aversion by market participants, resulting in an equity market sell-off in the immediate period after the result. In developed markets, Canadian and Australian equities exposed to the commodity sector and Swiss and US equities outperformed global equity markets. Japanese and eurozone equity markets significantly underperformed. Latin America equities outperformed within emerging markets. The energy sector, due to improved fundamentals in the oil market, and defensive sectors, such as healthcare and utilities, outperformed other sectors, while cyclical sectors, particularly those in the consumer discretionary, financials and IT areas, underperformed. Equity market volatility, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), increased sharply in the period around the UK referendum. Risk appetite, as measured by the Credit Suisse Equity Risk Appetite Index, decreased during the quarter. The Credit Suisse Hedge Fund Index increased 0.6% in 2Q16.

### Yield curves

Yield curves generally decreased further in 2Q16 across all maturities.

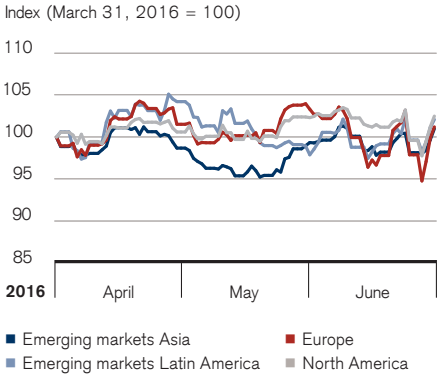



**Source:** Datastream, Credit Suisse

## Equity markets

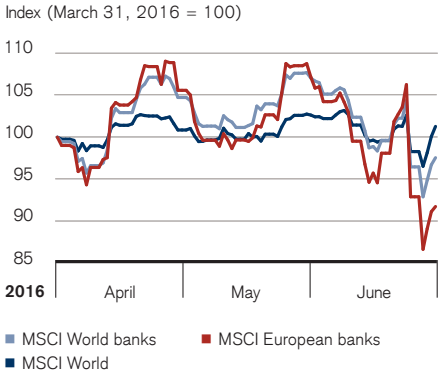
Equity markets ended the quarter slightly higher and bank stocks underperformed. Equity market volatility increased especially ahead of the UK referendum.

**Performance region**



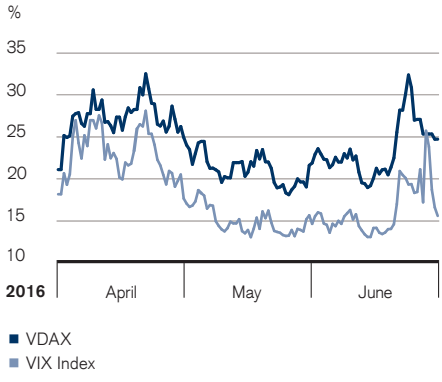

**Source:** Datastream, MSCI Barra, Credit Suisse

**Performance world banks**




**Source:** Datastream, MSCI Barra, Credit Suisse

**Volatility**




**Source:** Datastream, Credit Suisse

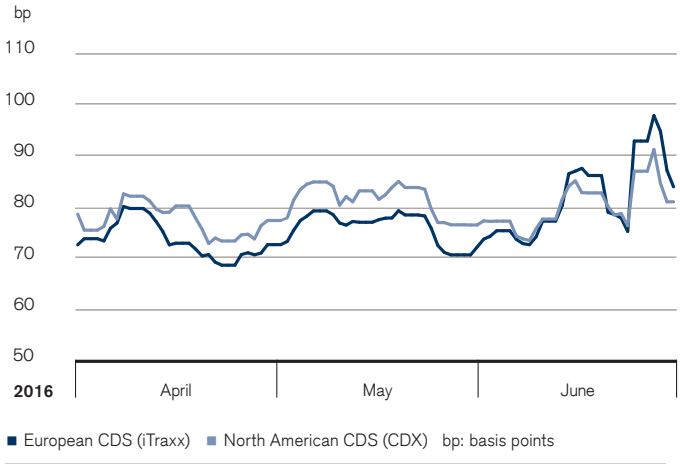
Government bond yields declined further in 2Q16 (refer to the charts "Yield curves"). As markets priced in potential interest rate increases by the Fed and the results of the UK referendum, financial flows to safe havens increased. British and Australian bonds outperformed other major government bonds, while Italian bonds underperformed them. Despite the increase in risk aversion by market participants in June, high yield and hard currency emerging market bonds continued to perform well. In contrast, the financial sector lagged compared to other sectors, with the uncertainty surrounding the outcome of the UK referendum leading to further underperformance.

The US dollar strengthened against most major currencies in 2Q16, except the Japanese yen. This was especially driven by the result of the UK referendum which led to increased financial flows to safe havens. The Swiss franc, after initially weakening against the euro, also ended the quarter slightly stronger as the Swiss National Bank intervened after the UK referendum to limit further strengthening against other major currencies. The weakest currency among the G-10 countries was the British pound. The Canadian dollar was stable, and the Australian dollar was weaker against the US dollar despite higher commodity prices. Currencies of commodity-exporting countries in emerging markets, such as the Russian ruble and Brazilian real, strengthened.

After a volatile 1Q16, commodities markets recovered during 2Q16, led by gains in the energy sector and supported by developments in the precious metals, agriculture and industrial metals sectors. Commodities prices were supported by market expectations that central banks would delay tightening their monetary policies. The Credit Suisse Commodities Benchmark ended the quarter 13.3% higher.

## Credit spreads

In line with equity market volatility, credit spreads strongly increased at the end of the quarter ahead of the UK referendum.




**Source:** Bloomberg, Credit Suisse

## Market volumes (growth in %)

| | Global | | Europe | |
|---|---|---|---|---|
| end of 2Q16 | QoQ | YoY | QoQ | YoY |
| Equity trading volume [1] | (13) | (11) | (12) | (23) |
| Announced mergers and acquisitions [2] | 27 | (18) | (8) | (35) |
| Completed mergers and acquisitions [2] | (4) | (21) | (43) | (29) |
| Equity underwriting [2] | 39 | (42) | 140 | (35) |
| Debt underwriting [2] | 13 | 4 | (9) | 12 |
| Syndicated lending – investment grade [2] | 21 | 1 [3] | – | – |

[1] London Stock Exchange, Borsa Italiana, Deutsche Börse and BME. Global also includes ICE and NASDAQ.
[2] Dealogic.
[3] 6M16 vs 6M15.

### SECTOR ENVIRONMENT

As was the case in 1Q16, equities in the financial sector were among the weakest performers among global stocks in 2Q16, and were also impacted by the UK referendum. World bank stocks underperformed global equity markets in 2Q16, and European bank stocks underperformed world bank stocks (refer to the charts “Equity markets”).

In private banking, market conditions remained challenging in light of the political and economic uncertainty around the UK referendum, the persistence of the low interest rate environment, increased concerns about global growth and the uncertainty concerning central banks’ monetary policies going forward. The sector continues to face significant structural pressure as it adapts to industry-specific regulatory changes, tax regularization and anti-money laundering initiatives. In particular, regulatory requirements for investment advisory services continue to increase, including in the areas of client suitability and appropriateness of advice, information and documentation.

For investment banking, equity trading volumes decreased globally and in Europe compared to 1Q16 and 2Q15. Global announced mergers and acquisitions (M&A) volumes increased compared to 1Q16 but decreased compared to 2Q15. Global completed M&A volumes decreased compared to 1Q16 and 2Q15. European announced and completed M&A volumes decreased compared to 1Q16 and 2Q15. Global and European equity underwriting volumes were significantly higher compared to 1Q16 but lower compared to 2Q15. Global debt underwriting volumes were higher compared to 1Q16 and 2Q15. European debt underwriting volumes were lower compared to 1Q16, but higher compared to 2Q15. Total US fixed income trading volumes were lower compared to 1Q16, mainly driven by lower treasuries, and slightly higher compared to 2Q15, mainly due to mortgage-backed volumes.

# Credit Suisse

In 2Q16, we recorded net income attributable to shareholders of CHF 170 million. Diluted earnings per share were CHF 0.08 and return on equity attributable to shareholders was 1.5%. As of the end of 2Q16, our Basel III CET1 ratio was 14.2% and 11.8% on a look-through basis. Our risk-weighted assets were CHF 275.1 billion.

## Results

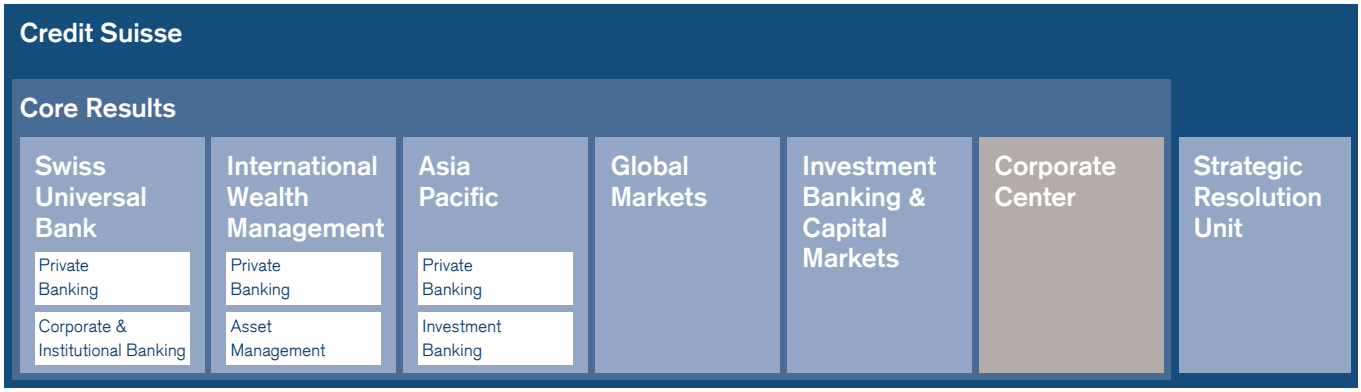
| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 1,999 | 2,011 | 2,869 | (1) | (30) | 4,010 | 5,021 | (20) |
| Commissions and fees | 2,796 | 2,675 | 3,259 | 5 | (14) | 5,471 | 6,238 | (12) |
| Trading revenues | 94 | (271) | 498 | – | (81) | (177) | 1,888 | – |
| Other revenues | 219 | 223 | 329 | (2) | (33) | 442 | 455 | (3) |
| **Net revenues** | **5,108** | **4,638** | **6,955** | 10 | (27) | **9,746** | **13,602** | (28) |
| **Provision for credit losses** | **(28)** | **150** | **51** | – | – | **122** | **81** | 51 |
| Compensation and benefits | 2,734 | 2,482 | 2,914 | 10 | (6) | 5,216 | 5,890 | (11) |
| General and administrative expenses | 1,760 | 1,848 | 1,928 | (5) | (9) | 3,608 | 3,666 | (2) |
| Commission expenses | 352 | 387 | 406 | (9) | (13) | 739 | 798 | (7) |
| Restructuring expenses | 91 | 255 | – | (64) | – | 346 | – | – |
| Total other operating expenses | 2,203 | 2,490 | 2,334 | (12) | (6) | 4,693 | 4,464 | 5 |
| **Total operating expenses** | **4,937** | **4,972** | **5,248** | (1) | (6) | **9,909** | **10,354** | (4) |
| **Income/(loss) from continuing operations before taxes** | **199** | **(484)** | **1,656** | – | (88) | **(285)** | **3,167** | – |
| Income tax expense/(benefit) | 21 | (179) | 590 | – | (96) | (158) | 1,067 | – |
| **Net income/(loss)** | **178** | **(305)** | **1,066** | – | (83) | **(127)** | **2,100** | – |
| Net income/(loss) attributable to noncontrolling interests | 8 | (3) | 15 | – | (47) | 5 | (5) | – |
| **Net income/(loss) attributable to shareholders** | **170** | **(302)** | **1,051** | – | (84) | **(132)** | **2,105** | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 1.6 | – | 12.2 | – | – | – | 11.5 | – |
| Cost/income ratio | 96.7 | 107.2 | 75.5 | – | – | 101.7 | 76.1 | – |
| Effective tax rate | 10.6 | 37.0 | 35.6 | – | – | 55.4 | 33.7 | – |
| **Earnings per share (CHF)** | | | | | | | | |
| Basic earnings/(loss) per share | 0.08 | (0.15) | 0.61 | – | (87) | (0.07) | 1.23 | – |
| Diluted earnings/(loss) per share | 0.08 | (0.15) | 0.59 | – | (86) | (0.07) | 1.20 | – |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity attributable to shareholders | 1.5 | (2.6) | 10.0 | – | – | (0.6) | 10.0 | – |
| Return on tangible equity attributable to shareholders [1] | 1.7 | (3.0) | 12.5 | – | – | (0.7) | 12.5 | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 821,164 | 813,898 | 879,322 | 1 | (7) | 821,164 | 879,322 | (7) |
| Risk-weighted assets [2] | 271,455 | 280,382 | 276,631 | (3) | (2) | 271,455 | 276,631 | (2) |
| Leverage exposure [2] | 966,548 | 969,541 | 1,061,825 | 0 | (9) | 966,548 | 1,061,825 | (9) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 47,180 | 47,760 | 46,610 | (1) | 1 | 47,180 | 46,610 | 1 |

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

[2] Disclosed on a look-through basis.

## Credit Suisse reporting structure

Credit Suisse includes the results of our six reporting segments, including the Strategic Resolution Unit, and the Corporate Center. Core Results do not include revenues and expenses from our Strategic Resolution Unit.




### RESULTS SUMMARY

**2Q16 results**

In 2Q16, Credit Suisse reported net income attributable to shareholders of CHF 170 million compared to a net loss attributable to shareholders of CHF 302 million in 1Q16 and net income attributable to shareholders of CHF 1,051 million in 2Q15.

**Net revenues** of CHF 5,108 million increased 10% compared to 1Q16, primarily reflecting higher net revenues in Global Markets, Strategic Resolution Unit and Investment Banking & Capital Markets. The increase in Global Markets was mainly due to higher revenues from our credit businesses. The movement in net revenues in the Strategic Resolution Unit was primarily driven by lower valuation adjustments in the legacy investment banking portfolio. Net revenues in Investment Banking & Capital Markets increased, primarily due to higher underwriting revenues and better performance from our corporate lending portfolio.

Net revenues decreased 27% compared to 2Q15, reflecting lower net revenues primarily in Strategic Resolution Unit, Corporate Center and Global Markets. The movement in net revenues in the Strategic Resolution Unit was primarily driven by valuation adjustments in the legacy investment banking portfolio and lower revenues relating to the restructuring of select onshore businesses, in particular the transfer of our US private banking business. Net revenues in Corporate Center decreased, primarily driven by fair value gains from movements in own credit spreads in 2Q15 and a change in the funding costs allocation methodology applied across the Group with effect as of the beginning of 1Q16. Net revenues in Global Markets declined primarily due to a significantly reduced risk profile and lower capital usage, in line with our accelerated restructuring strategy.

**Provision for credit losses** reflected a release of CHF 28 million primarily relating to a release of provision for credit losses of CHF 37 million in the Strategic Resolution Unit and CHF 17 million in Global Markets, partially offset by net provisions of CHF 16 million in International Wealth Management.

**Total operating expenses** of CHF 4,937 million decreased 1% compared to 1Q16, primarily reflecting a 64% decline in restructuring expenses and a 5% decline in general and administrative expenses, reflecting an 8% decline in professional services expenses. This decline were mostly offset by a 10% increase in compensation and benefits, reflecting higher salaries and discretionary compensation expenses and increased social security costs. We incurred CHF 91 million of restructuring expenses in 2Q16 in connection with our new strategy, of which CHF 50 million related to severance and other compensation expenses.

Total operating expenses decreased 6% compared to 2Q15, primarily reflecting a 6% decrease in compensation and benefits, mainly due to lower deferred compensation expenses from prior-year awards, reflecting a lower deferral rate, and a 9% decrease in general and administrative expenses, mainly due to lower provisions and losses and other general and administrative expenses, such as dues and fees and non-income taxes.

**Income tax expense** of CHF 21 million recorded in 2Q16 mainly reflected the impact of the geographical mix of results and the impact of a deferred tax asset re-assessment in Switzerland. Overall, net deferred tax assets decreased CHF 20 million to CHF 6,271 million, mainly driven by adjustments on share-based compensation deliveries, pension contributions and the 2Q16 deferred tax asset re-assessment, partially offset by earnings and foreign exchange movements. Deferred tax assets on net operating losses increased CHF 246 million to CHF 2,594 million during 2Q16. The Credit Suisse effective tax rate was 10.6% in 2Q16, compared to 37.0% in 1Q16.

▸ Refer to "Note 23 – Tax" in III – Condensed consolidated financial statements – unaudited for further information.

## Overview of Results

| in / end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,337** | **1,145** | **911** | **1,630** | **543** | **(95)** | **5,471** | **(363)** | **5,108** |
| **Provision for credit losses** | **9** | **16** | **3** | **(17)** | **0** | **(2)** | **9** | **(37)** | **(28)** |
| Compensation and benefits | 490 | 540 | 419 | 778 | 308 | 37 | 2,572 | 162 | 2,734 |
| Total other operating expenses | 385 | 344 | 283 | 715 | 100 | 105 | 1,932 | 271 | 2,203 |
| of which restructuring expenses | 4 | 15 | 10 | 50 | (8) | 0 | 71 | 20 | 91 |
| **Total operating expenses** | **875** | **884** | **702** | **1,493** | **408** | **142** | **4,504** | **433** | **4,937** |
| **Income/(loss) before taxes** | **453** | **245** | **206** | **154** | **135** | **(235)** | **958** | **(759)** | **199** |
| Return on regulatory capital (%) | 14.9 | 20.6 | 15.6 | 4.3 | 22.6 | – | 9.4 | – | 1.6 |
| Cost/income ratio (%) | 65.4 | 77.2 | 77.1 | 91.6 | 75.1 | – | 82.3 | – | 96.7 |
| Total assets | 224,866 | 90,156 | 92,194 | 239,419 | 22,064 | 54,407 | 723,106 | 98,058 | 821,164 |
| Goodwill | 609 | 1,540 | 1,505 | 459 | 632 | 0 | 4,745 | 0 | 4,745 |
| Risk-weighted assets [1] | 64,604 | 33,613 | 31,644 | 50,750 | 16,513 | 17,850 | 214,974 | 56,481 | 271,455 |
| Leverage exposure [1] | 245,108 | 95,442 | 107,595 | 279,099 | 43,756 | 51,743 | 822,743 | 143,805 | 966,548 |
| **1Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,356** | **1,173** | **907** | **1,245** | **388** | **110** | **5,179** | **(541)** | **4,638** |
| **Provision for credit losses** | **6** | **(2)** | **(22)** | **23** | **29** | **1** | **35** | **115** | **150** |
| Compensation and benefits | 476 | 501 | 404 | 671 | 287 | (67) | 2,272 | 210 | 2,482 |
| Total other operating expenses | 442 | 374 | 261 | 749 | 134 | 143 | 2,103 | 387 | 2,490 |
| of which restructuring expenses | 40 | 8 | 1 | 100 | 27 | 0 | 176 | 79 | 255 |
| **Total operating expenses** | **918** | **875** | **665** | **1,420** | **421** | **76** | **4,375** | **597** | **4,972** |
| **Income/(loss) before taxes** | **432** | **300** | **264** | **(198)** | **(62)** | **33** | **769** | **(1,253)** | **(484)** |
| Return on regulatory capital (%) | 14.4 | 24.9 | 20.8 | – | – | – | 7.6 | – | – |
| Cost/income ratio (%) | 67.7 | 74.6 | 73.3 | 114.1 | 108.5 | – | 84.5 | – | 107.2 |
| Total assets | 222,653 | 85,766 | 90,218 | 237,716 | 20,772 | 51,487 | 708,612 | 105,286 | 813,898 |
| Goodwill | 603 | 1,523 | 1,486 | 453 | 623 | 0 | 4,688 | 0 | 4,688 |
| Risk-weighted assets [1] | 64,437 | 33,028 | 27,649 | 56,698 | 16,990 | 17,455 | 216,257 | 64,125 | 280,382 |
| Leverage exposure [1] | 242,144 | 90,865 | 103,872 | 280,029 | 44,369 | 48,374 | 809,653 | 159,888 | 969,541 |
| **2Q15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,462** | **1,165** | **1,040** | **1,926** | **568** | **384** | **6,545** | **410** | **6,955** |
| **Provision for credit losses** | **33** | **(1)** | **11** | **(4)** | **0** | **0** | **39** | **12** | **51** |
| Compensation and benefits | 496 | 557 | 380 | 821 | 329 | 23 | 2,606 | 308 | 2,914 |
| Total other operating expenses | 465 | 337 | 282 | 718 | 94 | 98 | 1,994 | 340 | 2,334 |
| **Total operating expenses** | **961** | **894** | **662** | **1,539** | **423** | **121** | **4,600** | **648** | **5,248** |
| **Income/(loss) before taxes** | **468** | **272** | **367** | **391** | **145** | **263** | **1,906** | **(250)** | **1,656** |
| Return on regulatory capital (%) | 15.0 | 23.3 | 26.4 | 9.2 | 31.8 | – | 17.3 | – | 12.2 |
| Cost/income ratio (%) | 65.7 | 76.7 | 63.7 | 79.9 | 74.5 | – | 70.3 | – | 75.5 |
| Total assets | 220,912 | 90,999 | 92,799 | 287,616 | 12,792 | 66,179 | 771,297 | 108,025 | 879,322 |
| Goodwill | 592 | 1,502 | 2,184 | 2,987 | 973 | 0 | 8,238 | 0 | 8,238 |
| Risk-weighted assets [1] | 58,349 | 31,532 | 25,467 | 60,727 | 13,568 | 15,061 | 204,704 | 71,927 | 276,631 |
| Leverage exposure [1] | 243,946 | 91,601 | 107,755 | 332,361 | 34,247 | 62,228 | 872,138 | 189,687 | 1,061,825 |

[1] Disclosed on a look-through basis.

## Overview of Results (continued)

| in / end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **6M16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **2,693** | **2,318** | **1,818** | **2,875** | **931** | **15** | **10,650** | **(904)** | **9,746** |
| **Provision for credit losses** | **15** | **14** | **(19)** | **6** | **29** | **(1)** | **44** | **78** | **122** |
| Compensation and benefits | 966 | 1,041 | 823 | 1,449 | 595 | (30) | 4,844 | 372 | 5,216 |
| Total other operating expenses | 827 | 718 | 544 | 1,464 | 234 | 248 | 4,035 | 658 | 4,693 |
| of which restructuring expenses | 44 | 23 | 11 | 150 | 19 | 0 | 247 | 99 | 346 |
| **Total operating expenses** | **1,793** | **1,759** | **1,367** | **2,913** | **829** | **218** | **8,879** | **1,030** | **9,909** |
| **Income/(loss) before taxes** | **885** | **545** | **470** | **(44)** | **73** | **(202)** | **1,727** | **(2,012)** | **(285)** |
| Return on regulatory capital (%) | 14.6 | 22.7 | 18.2 | – | 6.6 | – | 8.5 | – | – |
| Cost/income ratio (%) | 66.6 | 75.9 | 75.2 | 101.3 | 89.0 | – | 83.4 | – | 101.7 |
| **6M15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **2,862** | **2,286** | **2,128** | **4,077** | **967** | **557** | **12,877** | **725** | **13,602** |
| **Provision for credit losses** | **56** | **1** | **8** | **0** | **0** | **0** | **65** | **16** | **81** |
| Compensation and benefits | 981 | 1,086 | 763 | 1,645 | 670 | 141 | 5,286 | 604 | 5,890 |
| Total other operating expenses | 914 | 649 | 525 | 1,314 | 199 | 204 | 3,805 | 659 | 4,464 |
| **Total operating expenses** | **1,895** | **1,735** | **1,288** | **2,959** | **869** | **345** | **9,091** | **1,263** | **10,354** |
| **Income/(loss) before taxes** | **911** | **550** | **832** | **1,118** | **98** | **212** | **3,721** | **(554)** | **3,167** |
| Return on regulatory capital (%) | 14.7 | 24.1 | 27.7 | 12.9 | 11.0 | – | 16.8 | – | 11.5 |
| Cost/income ratio (%) | 66.2 | 75.9 | 60.5 | 72.6 | 89.9 | – | 70.6 | – | 76.1 |

## EMPLOYEES

Headcount at the end of 2Q16 was 47,180, down 580 from 1Q16, primarily reflecting the impact of our cost efficiency initiatives.

### Number of employees

| end of | **2Q16** | 1Q16 | 2Q15 |
|---|---|---|---|
| **Number of employees (full-time equivalents)** | | | |
| Swiss Universal Bank | 13,280 | 13,500 | 12,830 |
| International Wealth Management | 10,010 | 10,170 | 9,380 |
| Asia Pacific | 7,020 | 6,730 | 6,170 |
| Global Markets | 11,620 | 11,780 | 11,470 |
| Investment Banking & Capital Markets | 2,800 | 2,880 | 2,550 |
| Strategic Resolution Unit | 2,050 | 2,290 | 3,800 |
| Corporate Center | 400 | 410 | 410 |
| **Number of employees** | **47,180** | **47,760** | **46,610** |

## INFORMATION AND DEVELOPMENTS

### Format of presentation

In managing the business, revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense from financing and hedging positions. For this reason, individual revenue categories may not be indicative of performance.

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

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

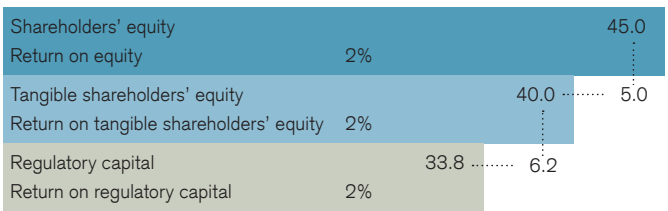
The calculation of divisional economic risk capital metrics and associated ratios under the new organization required certain additional assumptions and allocation methods which may not be required for future periods given the level of information then available.

▸ Refer to "Leverage metrics" and "Economic risk capital review" in II – Treasury, risk, balance sheet and off-balance sheet – Capital management and Risk management, respectively, for further information.

**Return on regulatory capital**

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

End of / in 2Q16 (CHF billion, except where indicated)




**Implementation of our strategy**

As announced on March 23, 2016, we have implemented additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower our cost base, accelerate the risk-weighted assets and leverage reduction initiatives in the restructuring of our Global Markets business and further strengthen our capital position.

▸ Refer to "Credit Suisse strategy" I – Information on the company in the Credit Suisse Annual Report 2015 for further information.

The additional measures included exiting the distressed credit, European securitized products trading and long-term illiquid financing businesses and making other business reductions. The assets from these impacted businesses were transferred to the Strategic Resolution Unit in 2Q16.

As also announced, in 2Q16 the Group consolidated its foreign exchange sales and trading business from Global Markets into its trading operations within Swiss Universal Bank. The results of the sales and trading business continue to be split between Swiss Universal Bank and International Wealth Management.

A portion of the corporate loan portfolio managed by the Global Markets and Investment Banking & Capital Markets divisions was also transferred to the Strategic Resolution Unit in 2Q16. These transfers related to client lending relationship exits and exposure types that we do not consider consistent with the announced strategy.

In 2Q16, we also transferred from Global Markets to the Corporate Center a portfolio of positions containing tax risk to the Group that is managed by the Group's corporate tax function.

As a result of the above strategic actions, prior period segment results have been reclassified to conform to the current presentation. These reclassifications had no impact on the net income/(loss) or the total shareholders' equity of the Group.

**Funding and cost allocations**

In the ongoing process of implementing the Group's strategy across our six business divisions, in 2Q16 the Group retroactively recalibrated, with effect as of the beginning of 1Q16, its methodology to allocate funding costs across the Group to incorporate net stable funding ratio (NSFR) requirements.

▸ Refer to "Funding" in "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

Corporate services and business support in finance, operations, human resources, legal, compliance, risk management and IT are provided by corporate functions, and the related costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures. In the ongoing process of implementing the Group's strategy across our six business divisions, in 2Q16, the Group recalibrated its methodology for the allocation of these corporate function costs to the operating expenses of the divisions, including a retroactive adjustment for 1Q16 in 2Q16.

**Fair valuations**

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

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 29 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information.

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

As of the end of 2Q16, 40% and 24% of our total assets and total liabilities, respectively, were measured at fair value.

The majority of our level 3 assets are recorded in our investment banking businesses. Total assets at fair value recorded as level 3 increased CHF 0.5 billion to CHF 29.2 billion as of the end of 2Q16, primarily reflecting the foreign exchange translation impact and net issuances. This was partially offset by net sales, mainly in loans and loans held-for-sale.

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 28.8 billion, compared to CHF 28.2 billion as of the end of 1Q16. As of the end of 2Q16, these assets comprised 4% of total assets and 9% of total assets measured at fair value, both adjusted on the same basis, compared to 3% and 8%, respectively, as of the end of 1Q16.

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

## EVOLUTION OF LEGAL ENTITY STRUCTURE

The execution of the program evolving the Group's legal entity structure to support the realization of our strategic objectives, increase the resilience of the Group and meet developing and future regulatory requirements has continued to progress, with a number of significant achievements in 2016.

- On July 1, 2016, Credit Suisse Holdings (USA), Inc. was fully established as our Intermediate Holding Company (IHC), in line with regulatory requirements. The IHC went live with the requisite capital, liquidity, infrastructure and governance, including its newly established board of directors;
- Following regulatory approval from the Central Bank of Ireland in December 2015, Credit Suisse AG Dublin Branch was established in 1Q16, making Ireland an important hub for the bank's prime services business in Europe. The key parts of the prime services business operating out of this location include prime brokerage, prime financing and securities lending, all of which serve clients across global markets. The Dublin operation handles the trading, capital and risk management for the business, while the client coverage and relationship functions are allocated between London and Dublin staff according to client proximity and needs;
- In Switzerland, we have made significant progress with the implementation of the new legal entity Credit Suisse (Schweiz) AG, which will largely include the business and clients of the Swiss Universal Bank division of Credit Suisse AG. Swiss booked clients of the International Wealth Management and the Asia Pacific division will remain in Credit Suisse AG. We expect the new legal entity to become operational as a standalone bank in 4Q16, subject to, among other things, regulatory approval. In this context, future clients of Credit Suisse (Schweiz) AG have recently received notification on the upcoming transfer of accounts from Credit Suisse AG to Credit Suisse (Schweiz) AG. The establishment of Credit Suisse (Schweiz) AG underscores our strong commitment to our Swiss home market. The new legal entity structure in Switzerland will not impact our client servicing model; our Swiss-booked clients will continue to benefit from Credit Suisse's global expertise and full range of services regardless of the legal entity to which they are booked. As licensed Swiss banks, both Credit Suisse AG and Credit Suisse (Schweiz) AG will be subject to the same rules and standards regarding client protection, asset segregation and Swiss banking confidentiality, and both banks will be members of Credit Suisse Group.

▸ Refer to "Evolution of legal entity program" in II – Operating and financial review – Credit Suisse in the Credit Suisse Annual Report 2015 for further information.

## REGULATORY DEVELOPMENTS AND PROPOSALS

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

The Financial Market Infrastructure Act and the Financial Market Infrastructure Ordinance (FMIO) came into effect on January 1, 2016. Financial market infrastructures and the operators of organized trading facilities were granted a transitional period of one year until January 1, 2017 to comply with various new duties, including those associated with the publication of pre- and post-trade transparency information and with high-frequency trading. Also, in order to align Swiss law with the revised timing of corresponding provisions of the Markets in Financial Instruments Directive (MiFID II), which have been postponed by a year, the Swiss Federal Council extended the transitional periods under the FMIO for financial market infrastructures by a year until January 1, 2018.

On May 24, 2016, the US Commodity Futures Trading Commission (CFTC) adopted final rules addressing the cross-border application of margin requirements for uncleared swaps. These margin requirements will apply to Credit Suisse Securities (Europe) Limited (CSSEL) and other non-bank swap dealers registered with the CFTC. Consistent with margin requirements adopted by the US prudential regulators in October 2015, these CFTC rules incorporate limits on the eligibility of CSSEL to satisfy the CFTC's margin requirements through "substituted compliance" with EU margin rules, especially when trading with US-headquartered dealers. The availability of substituted compliance (whether partially or in full) will also depend on whether the CFTC adopts a comparability determination relating to the EU margin rules. Due in part to uncertainty as to whether the EU may delay the effective date of its rules until after the CFTC's rules begin to apply to CSSEL with respect to certain counterparties commencing September 1, 2016, the timing of the availability of substituted compliance remains unclear, and accordingly CSSEL may face obstacles in its ability to engage effectively in cross-border derivatives activities.

On June 2, 2016, a Memorandum of Understanding (MoU) between the European Securities and Markets Authority (ESMA) and the CFTC became effective. The MoU establishes regulatory cooperation arrangements relating to CFTC-registered US central counterparties (CCPs) that have applied to ESMA for recognition

under Article 25 of the European Markets Infrastructure Regulation (EMIR). The MoU follows the adoption of the European Commission's equivalence decision under EMIR with respect to CFTC requirements for US CCPs on March 15, 2016.

On June 9, 2016, the CFTC proposed rule amendments that would expand mandatory clearing requirements to certain interest rate swaps denominated in Australian, Canadian, Hong Kong, Mexican, Norwegian, Polish, Singapore, Swedish and Swiss currencies and certain other rates derivatives in these currencies. This proposal would effectively expand the CFTC's clearing requirement to cover the full range of interest rate swaps required to be cleared under various non-US jurisdictions' laws. Since other jurisdictions have not adopted similarly broad clearing requirements, the CFTC's proposal, if adopted, could fragment liquidity in the interest rate swap markets, making it more expensive for Credit Suisse to trade in those markets.

The Fed has proposed rules designed to improve the resolvability of US headquartered global systemically important banks (G-SIBs) and the US operations of non-US G-SIBs, such as our US operations. The proposed rules would require covered entities to include provisions in certain "qualified financial contracts" under which counterparties agree to be subject to the stays on early termination rights that would apply if the covered entity became subject to certain US special resolution regimes. This requirement is similar to requirements introduced in Germany, Switzerland and the United Kingdom to which we are already subject. The proposed rules would also require counterparties of covered entities to agree not to exercise certain early termination rights that arise based on an affiliate of the entity entering bankruptcy proceedings or other insolvency proceedings. It is expected that the International Swaps and Derivatives Association (ISDA) will produce a US module to its ISDA Resolution Stay Jurisdictional Modular Protocol to facilitate compliance by the broader market with the Fed's final requirements.

On June 9, 2016, the European Commission announced that it is delaying the adoption of the draft regulatory technical standards on risk mitigation techniques for non-centrally cleared over-the-counter (OTC) derivatives. When adopted, these rules will require the two-way exchange of initial and variation margin for non-centrally cleared OTC derivatives. It was initially announced that the final EU margin rules would become effective on September 1, 2016 as internationally agreed per the BCBS and the International Organization of Securities Commissions, but a revised commencement date has not yet been announced. When in force, the new rules will apply to our trading of in-scope non-cleared OTC derivative contracts with other large, globally active swap dealers.

On June 17, 2016, the Swiss Parliament adopted the Corporate Tax Reform Act III (CTR III), which aims at strengthening the Swiss tax system in light of the abolition of cantonal tax privileges for holding companies, mixed companies and domicile companies. The final version of the CTR III included a notional interest deduction, which had been proposed during deliberations. Some cantons have already announced that they will considerably lower their corporate income tax rates. The CTR III is still subject to a possible referendum. If no referendum is sought, the CTR III is expected to become effective as of January 1, 2017.

On June 23, 2016, voters in the UK voted to leave the EU in a non-binding referendum. Following any formal notification by the UK of its decision to exit the EU, negotiations would commence to determine the future terms of the parties' relationship. This would include the renegotiation, either during a transitional period or more permanently, of a number of regulatory and other arrangements between the EU and the UK that directly impact our business. Adverse changes to any of these arrangements, and even uncertainty over potential changes during any period of negotiation, could potentially impact our results in the UK or other markets we serve.

▸ Refer to "Overview and risk-related developments" in II – Treasury, risk, balance sheet and off-balance sheet – Risk management for additional information on the impact of UK referendum on European Union membership on our risk management activities.

On June 30, 2016, the benchmarks regulation entered in to force. The regulation sets out various requirements which will govern the activities of benchmark administrators and submitters. The majority of the provisions of the benchmark regulation will apply from January 1, 2018. Certain restrictions and rules introduced by the benchmark regulation will apply to Credit Suisse in its capacity as benchmark user and contributor.

On July 1, 2016, EU legislation came into force to postpone the date of application of MiFID II and the Markets in Financial Instruments Regulation from January 3, 2017 to January 3, 2018.

On July 1, 2016, the Swiss federal act on the freezing and restitution of illicitly acquired assets of foreign politically exposed persons entered into force.

On July 14, 2016, the US Securities and Exchange Commission (SEC) adopted final rules amending certain aspects of its security-based swap (SBS) reporting rules and establishing a final implementation schedule for those rules. The amendments included an expansion of the SEC's SBS reporting requirements (including the public dissemination of transaction information) to cover SBS between a non-US SBS dealer, such as Credit Suisse International or Credit Suisse Securities (Europe) Limited, and a non-US SBS counterparty that are arranged, negotiated or executed by US personnel acting on behalf of the non-US SBS dealer. Such expansion could deter non-US SBS counterparties from interacting with our US personnel. Mitigating this issue could require us to reorganize our front office functions accordingly, which could impede effective risk management and market making activities in SBSs based on US companies. The SEC adopted a final implementation schedule which requires Credit Suisse to comply with SBS reporting rules shortly after SBS dealer registration.

▸ Refer to "Regulation and supervision" in I – Information on the company in the Credit Suisse Annual Report 2015 for further information and "Regulatory developments and proposals" and "Regulatory framework" in II – Treasury, risk, balance sheet and off-balance sheet – Capital management and Liquidity and funding management, respectively, for further information.

## ADJUSTED RESULTS

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

### Reconciliation of adjusted results

| | Core Results | | | Strategic Resolution Unit | | | **Credit Suisse** | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 |
| **Reconciliation of adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,471** | **5,179** | **6,545** | **(363)** | **(541)** | **410** | **5,108** | **4,638** | **6,955** |
| Fair value on own debt | – | – | (228) | – | – | – | – | – | (228) |
| Real estate gains | 0 | 0 | (23) | 0 | 0 | 0 | 0 | 0 | (23) |
| (Gains)/losses on business sales [1] | 0 | 52 | 0 | 0 | 4 | 0 | 0 | 56 | 0 |
| **Adjusted net revenues** | **5,471** | **5,231** | **6,294** | **(363)** | **(537)** | **410** | **5,108** | **4,694** | **6,704** |
| **Provision for credit losses** | **9** | **35** | **39** | **(37)** | **115** | **12** | **(28)** | **150** | **51** |
| **Total operating expenses** | **4,504** | **4,375** | **4,600** | **433** | **597** | **648** | **4,937** | **4,972** | **5,248** |
| Restructuring expenses | (71) | (176) | – | (20) | (79) | – | (91) | (255) | – |
| Major litigation provisions | 0 | 0 | (54) | 0 | 0 | (9) | 0 | 0 | (63) |
| **Adjusted total operating expenses** | **4,433** | **4,199** | **4,546** | **413** | **518** | **639** | **4,846** | **4,717** | **5,185** |
| **Income/(loss) before taxes** | **958** | **769** | **1,906** | **(759)** | **(1,253)** | **(250)** | **199** | **(484)** | **1,656** |
| Total adjustments | 71 | 228 | (197) | 20 | 83 | 9 | 91 | 311 | (188) |
| **Adjusted income/(loss) before taxes** | **1,029** | **997** | **1,709** | **(739)** | **(1,170)** | **(241)** | **290** | **(173)** | **1,468** |

| | Core Results | | Strategic Resolution Unit | | **Credit Suisse** | |
|---|---|---|---|---|---|---|
| in | **6M16** | 6M15 | **6M16** | 6M15 | **6M16** | 6M15 |
| **Reconciliation of adjusted results (CHF million)** | | | | | | |
| **Net revenues** | **10,650** | **12,877** | **(904)** | **725** | **9,746** | **13,602** |
| Fair value on own debt | – | (372) | – | – | – | (372) |
| Real estate gains | 0 | (23) | 0 | 0 | 0 | (23) |
| (Gains)/losses on business sales [1] | 52 | 0 | 4 | 0 | 56 | 0 |
| **Adjusted net revenues** | **10,702** | **12,482** | **(900)** | **725** | **9,802** | **13,207** |
| **Provision for credit losses** | **44** | **65** | **78** | **16** | **122** | **81** |
| **Total operating expenses** | **8,879** | **9,091** | **1,030** | **1,263** | **9,909** | **10,354** |
| Restructuring expenses | (247) | – | (99) | – | (346) | – |
| Major litigation provisions | 0 | (44) | 0 | (9) | 0 | (53) |
| **Adjusted total operating expenses** | **8,632** | **9,047** | **931** | **1,254** | **9,563** | **10,301** |
| **Income/(loss) before taxes** | **1,727** | **3,721** | **(2,012)** | **(554)** | **(285)** | **3,167** |
| Total adjustments | 299 | (351) | 103 | 9 | 402 | (342) |
| **Adjusted income/(loss) before taxes** | **2,026** | **3,370** | **(1,909)** | **(545)** | **117** | **2,825** |

[1] Reflects a reclassification of CHF 52 million from cumulative translation adjustments to other revenues in the Corporate Center in connection with the sale of Credit Suisse (Gibraltar) Limited in 6M16.

## CORE RESULTS

### 2Q16 results

In 2Q16, Core Results net revenues of CHF 5,471 million increased 6% compared to 1Q16, primarily reflecting higher net revenues in Global Markets and Investment Banking & Capital Markets. Provision for credit losses was CHF 9 million, primarily reflecting net provisions of CHF 16 million in International Wealth Management and CHF 9 million in Swiss Universal Bank, partially offset by a release of the provision for credit losses of CHF 17 million in Global Markets. Total operating expenses of CHF 4,504 million decreased 3% compared to 1Q16. Compensation and benefits increased 13%, primarily related to increases in Global Markets, International Wealth Management and Investment Banking & Capital Markets. General and administrative expenses decreased 2%. In addition, we incurred CHF 71 million of restructuring expenses in 2Q16 in connection with our new strategy.

Core Results net revenues decreased 16% compared to 2Q15, primarily reflecting lower net revenues in Corporate Center and Global Markets. Total operating expenses decreased 2% compared to 2Q15. Compensation and benefits decreased slightly, primarily related to decreases in Global Markets, Investment Banking & Capital Markets and International Wealth Management, partially offset by an increase in Asia Pacific. General and administrative expenses decreased 6%, primarily related to decreases in Swiss Universal Bank and Global Markets.

## Credit Suisse and Core Results

| | | | Core Results | | | Strategic Resolution Unit | | | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,471** | **5,179** | **6,545** | **(363)** | **(541)** | **410** | **5,108** | **4,638** | **6,955** |
| **Provision for credit losses** | **9** | **35** | **39** | **(37)** | **115** | **12** | **(28)** | **150** | **51** |
| Compensation and benefits | 2,572 | 2,272 | 2,606 | 162 | 210 | 308 | 2,734 | 2,482 | 2,914 |
| General and administrative expenses | 1,530 | 1,556 | 1,625 | 230 | 292 | 303 | 1,760 | 1,848 | 1,928 |
| Commission expenses | 331 | 371 | 369 | 21 | 16 | 37 | 352 | 387 | 406 |
| Restructuring expenses | 71 | 176 | – | 20 | 79 | – | 91 | 255 | – |
| Total other operating expenses | 1,932 | 2,103 | 1,994 | 271 | 387 | 340 | 2,203 | 2,490 | 2,334 |
| **Total operating expenses** | **4,504** | **4,375** | **4,600** | **433** | **597** | **648** | **4,937** | **4,972** | **5,248** |
| **Income/(loss) before taxes** | **958** | **769** | **1,906** | **(759)** | **(1,253)** | **(250)** | **199** | **(484)** | **1,656** |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Return on regulatory capital | 9.4 | 7.6 | 17.3 | – | – | – | 1.6 | – | 12.2 |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Total assets | 723,106 | 708,612 | 771,297 | 98,058 | 105,286 | 108,025 | 821,164 | 813,898 | 879,322 |
| Risk-weighted assets [1] | 214,974 | 216,257 | 204,704 | 56,481 | 64,125 | 71,927 | 271,455 | 280,382 | 276,631 |
| Leverage exposure [1] | 822,743 | 809,653 | 872,138 | 143,805 | 159,888 | 189,687 | 966,548 | 969,541 | 1,061,825 |

[1] Disclosed on a look-through basis.

## Credit Suisse and Core Results

| | Core Results | | Strategic Resolution Unit | | **Credit Suisse** | |
|---|---|---|---|---|---|---|
| in / end of | **6M16** | 6M15 | **6M16** | 6M15 | **6M16** | 6M15 |
| **Statements of operations (CHF million)** | | | | | | |
| **Net revenues** | **10,650** | **12,877** | **(904)** | **725** | **9,746** | **13,602** |
| **Provision for credit losses** | **44** | **65** | **78** | **16** | **122** | **81** |
| Compensation and benefits | 4,844 | 5,286 | 372 | 604 | 5,216 | 5,890 |
| General and administrative expenses | 3,086 | 3,086 | 522 | 580 | 3,608 | 3,666 |
| Commission expenses | 702 | 719 | 37 | 79 | 739 | 798 |
| Restructuring expenses | 247 | – | 99 | – | 346 | – |
| Total other operating expenses | 4,035 | 3,805 | 658 | 659 | 4,693 | 4,464 |
| **Total operating expenses** | **8,879** | **9,091** | **1,030** | **1,263** | **9,909** | **10,354** |
| **Income/(loss) before taxes** | **1,727** | **3,721** | **(2,012)** | **(554)** | **(285)** | **3,167** |
| **Statement of operations metrics (%)** | | | | | | |
| Return on regulatory capital | 8.5 | 16.8 | – | – | – | 11.5 |

## Core Results by business activity

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | 2Q16 Core Results | 1Q16 Core Results | 2Q15 Core Results |
|---|---|---|---|---|---|---|---|---|---|
| **Related to private banking (CHF million)** | | | | | | | | | |
| Net revenues | 840 | 811 | 337 | – | – | – | 1,988 | 2,018 | 2,093 |
| of which net interest income | 441 | 304 | 143 | – | – | – | 888 | 919 | 803 |
| of which recurring | 240 | 273 | 70 | – | – | – | 583 | 584 | 661 |
| of which transaction-based | 159 | 236 | 124 | – | – | – | 519 | 531 | 607 |
| Provision for credit losses | 7 | 16 | 2 | – | – | – | 25 | (10) | 8 |
| Total operating expenses | 582 | 611 | 245 | – | – | – | 1,438 | 1,470 | 1,497 |
| **Income before taxes** | **251** | **184** | **90** | **–** | **–** | **–** | **525** | **558** | **588** |
| **Related to corporate & institutional banking** | | | | | | | | | |
| Net revenues | 497 | – | – | – | – | – | 497 | 510 | 506 |
| of which net interest income | 242 | – | – | – | – | – | 242 | 272 | 238 |
| of which recurring | 123 | – | – | – | – | – | 123 | 109 | 113 |
| of which transaction-based | 146 | – | – | – | – | – | 146 | 139 | 162 |
| Provision for credit losses | 2 | – | – | – | – | – | 2 | (3) | 24 |
| Total operating expenses | 293 | – | – | – | – | – | 293 | 286 | 271 |
| **Income before taxes** | **202** | **–** | **–** | **–** | **–** | **–** | **202** | **227** | **211** |
| **Related to investment banking** | | | | | | | | | |
| Net revenues | – | – | 574 | 1,630 | 543 | – | 2,747 | 2,221 | 3,227 |
| of which fixed income sales and trading | – | – | 167 | 722 | – | – | 889 | 724 | 1,056 |
| of which equity sales and trading | – | – | 340 | 669 | – | – | 1,009 | 945 | 1,264 |
| of which underwriting and advisory | – | – | 100 | 297 | 576 | – | 973 | 667 | 961 |
| Provision for credit losses | – | – | 1 | (17) | 0 | – | (16) | 47 | 7 |
| Total operating expenses | – | – | 457 | 1,493 | 408 | – | 2,358 | 2,290 | 2,436 |
| **Income/(loss) before taxes** | **–** | **–** | **116** | **154** | **135** | **–** | **405** | **(116)** | **784** |
| **Related to asset management** | | | | | | | | | |
| Net revenues | – | 334 | – | – | – | – | 334 | 320 | 335 |
| Total operating expenses | – | 273 | – | – | – | – | 273 | 253 | 275 |
| **Income before taxes** | **–** | **61** | **–** | **–** | **–** | **–** | **61** | **67** | **60** |
| **Related to corporate center** | | | | | | | | | |
| Net revenues | – | – | – | – | – | (95) | (95) | 110 | 384 |
| Provision for credit losses | – | – | – | – | – | (2) | (2) | 1 | 0 |
| Total operating expenses | – | – | – | – | – | 142 | 142 | 76 | 121 |
| **Income/(loss) before taxes** | **–** | **–** | **–** | **–** | **–** | **(235)** | **(235)** | **33** | **263** |
| **Total** | | | | | | | | | |
| Net revenues | 1,337 | 1,145 | 911 | 1,630 | 543 | (95) | 5,471 | 5,179 | 6,545 |
| Provision for credit losses | 9 | 16 | 3 | (17) | 0 | (2) | 9 | 35 | 39 |
| Total operating expenses | 875 | 884 | 702 | 1,493 | 408 | 142 | 4,504 | 4,375 | 4,600 |
| **Income/(loss) before taxes** | **453** | **245** | **206** | **154** | **135** | **(235)** | **958** | **769** | **1,906** |

# Swiss Universal Bank

In 2Q16, we reported income before taxes of CHF 453 million and net revenues of CHF 1,337 million. Income before taxes was CHF 21 million higher compared to 1Q16 and CHF 15 million lower compared to 2Q15.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, we reported income before taxes of CHF 453 million and net revenues of CHF 1,337 million. Compared to 1Q16, net revenues were stable, with lower net interest income offset by higher recurring commissions and fees and higher transaction-based revenues. Total operating expenses decreased 5% compared to 1Q16, primarily reflecting lower restructuring expenses and lower general and administrative expenses partly offset by slightly higher compensation and benefits.

Compared to 2Q15, net revenues were 9% lower, mainly due to lower recurring commissions and fees and lower transaction-based revenues, including the impact from the deconsolidation of the cards issuing business in 2015. Total operating expenses decreased 9% compared to 2Q15 with lower general and administrative expenses, reflecting the deconsolidation of the cards issuing business.

Adjusted income before taxes of CHF 457 million was slightly lower compared to 1Q16 and increased slightly compared to 2Q15.

### Capital and leverage metrics

As of the end of 2Q16, we reported risk-weighted assets of CHF 64.6 billion, an increase of CHF 0.2 billion compared to the end of 1Q16. Leverage exposure was CHF 245.1 billion, reflecting an increase of CHF 3.0 billion compared to the end of 1Q16, driven by increased high-quality liquid assets (HQLA) balances associated with funding requirements.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,337** | **1,356** | **1,462** | (1) | (9) | **2,693** | **2,862** | (6) |
| **Provision for credit losses** | **9** | **6** | **33** | 50 | (73) | **15** | **56** | (73) |
| Compensation and benefits | 490 | 476 | 496 | 3 | (1) | 966 | 981 | (2) |
| General and administrative expenses | 309 | 330 | 395 | (6) | (22) | 639 | 772 | (17) |
| Commission expenses | 72 | 72 | 70 | 0 | 3 | 144 | 142 | 1 |
| Restructuring expenses | 4 | 40 | – | (90) | – | 44 | – | – |
| Total other operating expenses | 385 | 442 | 465 | (13) | (17) | 827 | 914 | (10) |
| **Total operating expenses** | **875** | **918** | **961** | (5) | (9) | **1,793** | **1,895** | (5) |
| **Income before taxes** | **453** | **432** | **468** | 5 | (3) | **885** | **911** | (3) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 14.9 | 14.4 | 15.0 | – | – | 14.6 | 14.7 | – |
| Cost/income ratio | 65.4 | 67.7 | 65.7 | – | – | 66.6 | 66.2 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 5,530 | 5,366 | 5,017 | 3 | 10 | 5,431 | 5,116 | 6 |
| Pre-tax return on average economic risk capital (%) [1] | 32.8 | 32.3 | 37.4 | – | – | 32.7 | 35.7 | – |
| **Number of employees and relationship managers** | | | | | | | | |
| Number of employees (full-time equivalents) | 13,280 | 13,500 | 12,830 | (2) | 4 | 13,280 | 12,830 | 4 |
| Number of relationship managers | 2,000 | 2,040 | 2,060 | (2) | (3) | 2,000 | 2,060 | (3) |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Private Banking | 840 | 846 | 956 | (1) | (12) | 1,686 | 1,876 | (10) |
| Corporate & Institutional Banking | 497 | 510 | 506 | (3) | (2) | 1,007 | 986 | 2 |
| **Net revenues** | **1,337** | **1,356** | **1,462** | (1) | (9) | **2,693** | **2,862** | (6) |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 683 | 732 | 685 | (7) | 0 | 1,415 | 1,296 | 9 |
| Recurring commissions and fees | 363 | 344 | 412 | 6 | (12) | 707 | 824 | (14) |
| Transaction-based revenues | 305 | 288 | 349 | 6 | (13) | 593 | 731 | (19) |
| Other revenues | (14) | (8) | 16 | 75 | – | (22) | 11 | – |
| **Net revenues** | **1,337** | **1,356** | **1,462** | (1) | (9) | **2,693** | **2,862** | (6) |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 33 | 26 | 51 | 27 | (35) | 59 | 88 | (33) |
| Releases of provisions | (24) | (20) | (18) | 20 | 33 | (44) | (32) | 38 |
| **Provision for credit losses** | **9** | **6** | **33** | 50 | (73) | **15** | **56** | (73) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 224,866 | 222,653 | 220,912 | 1 | 2 | 224,866 | 220,912 | 2 |
| Net loans | 164,661 | 162,941 | 162,755 | 1 | 1 | 164,661 | 162,755 | 1 |
| Risk-weighted assets | 64,604 | 64,437 | 58,349 | 0 | 11 | 64,604 | 58,349 | 11 |
| Leverage exposure | 245,108 | 242,144 | 243,946 | 1 | 0 | 245,108 | 243,946 | 0 |

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

## Reconciliation of adjusted results

| | | Private Banking | | | Corporate & Institutional Banking | | | **Swiss Universal Bank** | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **840** | **846** | **956** | **497** | **510** | **506** | **1,337** | **1,356** | **1,462** |
| Real estate gains | 0 | 0 | (23) | 0 | 0 | 0 | 0 | 0 | (23) |
| **Adjusted net revenues** | **840** | **846** | **933** | **497** | **510** | **506** | **1,337** | **1,356** | **1,439** |
| **Provision for credit losses** | **7** | **9** | **9** | **2** | **(3)** | **24** | **9** | **6** | **33** |
| **Total operating expenses** | **582** | **632** | **690** | **293** | **286** | **271** | **875** | **918** | **961** |
| Restructuring expenses | (3) | (35) | – | (1) | (5) | – | (4) | (40) | – |
| **Adjusted total operating expenses** | **579** | **597** | **690** | **292** | **281** | **271** | **871** | **878** | **961** |
| **Income before taxes** | **251** | **205** | **257** | **202** | **227** | **211** | **453** | **432** | **468** |
| Total adjustments | 3 | 35 | (23) | 1 | 5 | 0 | 4 | 40 | (23) |
| **Adjusted income before taxes** | **254** | **240** | **234** | **203** | **232** | **211** | **457** | **472** | **445** |

Adjusted results are non-GAAP financial measures. Refer to “Adjusted results” in Credit Suisse for further information.

## Reconciliation of adjusted results (continued)

| | Private Banking | | Corporate & Institutional Banking | | **Swiss Universal Bank** | |
|---|---|---|---|---|---|---|
| in | **6M16** | 6M15 | **6M16** | 6M15 | **6M16** | 6M15 |
| **Adjusted results (CHF million)** | | | | | | |
| **Net revenues** | **1,686** | **1,876** | **1,007** | **986** | **2,693** | **2,862** |
| Real estate gains | 0 | (23) | 0 | 0 | 0 | (23) |
| **Adjusted net revenues** | **1,686** | **1,853** | **1,007** | **986** | **2,693** | **2,839** |
| **Provision for credit losses** | **16** | **21** | **(1)** | **35** | **15** | **56** |
| **Total operating expenses** | **1,214** | **1,349** | **579** | **546** | **1,793** | **1,895** |
| Restructuring expenses | (38) | – | (6) | – | (44) | – |
| **Adjusted total operating expenses** | **1,176** | **1,349** | **573** | **546** | **1,749** | **1,895** |
| **Income before taxes** | **456** | **506** | **429** | **405** | **885** | **911** |
| Total adjustments | 38 | (23) | 6 | 0 | 44 | (23) |
| **Adjusted income before taxes** | **494** | **483** | **435** | **405** | **929** | **888** |

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

# PRIVATE BANKING

## RESULTS

Income before taxes of CHF 251 million increased 22% compared to 1Q16, reflecting lower total operating expenses and stable net revenues. Compared to 2Q15, income before taxes decreased slightly, with lower net revenues mainly offset by lower total operating expenses. Adjusted income before taxes of CHF 254 million increased 6% compared to 1Q16 and 9% compared to 2Q15.

### Net revenues

Compared to 1Q16, net revenues of CHF 840 million were stable, with lower net interest income mainly offset by higher transaction-based revenues and slightly higher recurring commissions and fees. Net interest income of CHF 441 million decreased CHF 19 million, with decreased deposit margins partially offset by slightly increased average loan volumes. Transaction-based revenues of CHF 159 million increased 7% driven by the proceeds from the sale of our equity stake in Visa Europe Ltd. to Visa Inc. and a regular dividend from our ownership interest in SIX Group AG, partly offset by lower sales and trading revenues, fees from foreign exchange client business and brokerage and product issuing fees. Recurring commissions and fees of CHF 240 million were slightly higher, reflecting higher average assets under management.

Compared to 2Q15, net revenues decreased 12%, mainly driven by lower recurring commissions and fees and lower transaction-based revenues. Recurring commissions and fees decreased 20%, reflecting the CHF 59 million impact from the deconsolidation of the cards issuing business. Transaction-based revenues decreased 15% with lower client activity and lower sales and trading revenues. Net interest income was stable, driven by lower deposit margins on stable average deposit volumes, mainly offset by slightly improved loan margins on stable average loan volumes. Adjusted net revenues decreased 10% compared to 2Q15.

## Results – Private Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **840** | **846** | **956** | (1) | (12) | **1,686** | **1,876** | (10) |
| **Provision for credit losses** | **7** | **9** | **9** | (22) | (22) | **16** | **21** | (24) |
| Compensation and benefits | 308 | 314 | 336 | (2) | (8) | 622 | 657 | (5) |
| General and administrative expenses | 224 | 236 | 307 | (5) | (27) | 460 | 595 | (23) |
| Commission expenses | 47 | 47 | 47 | 0 | 0 | 94 | 97 | (3) |
| Restructuring expenses | 3 | 35 | – | (91) | – | 38 | – | – |
| Total other operating expenses | 274 | 318 | 354 | (14) | (23) | 592 | 692 | (14) |
| **Total operating expenses** | **582** | **632** | **690** | (8) | (16) | **1,214** | **1,349** | (10) |
| **Income before taxes** | **251** | **205** | **257** | 22 | (2) | **456** | **506** | (10) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 69.3 | 74.7 | 72.2 | – | – | 72.0 | 71.9 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 441 | 460 | 447 | (4) | (1) | 901 | 853 | 6 |
| Recurring commissions and fees | 240 | 235 | 299 | 2 | (20) | 475 | 590 | (19) |
| Transaction-based revenues | 159 | 149 | 187 | 7 | (15) | 308 | 410 | (25) |
| Other revenues | 0 | 2 | 23 | (100) | (100) | 2 | 23 | (91) |
| **Net revenues** | **840** | **846** | **956** | (1) | (12) | **1,686** | **1,876** | (10) |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 140 | 142 | 149 | – | – | 141 | 147 | – |
| Net margin [2] | 42 | 34 | 40 | – | – | 38 | 40 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 1,530 | 1,560 | 1,580 | (2) | (3) | 1,530 | 1,580 | (3) |

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

### Provision for credit losses

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

In 2Q16, Private Banking recorded provision for credit losses of CHF 7 million compared to CHF 9 million in both 1Q16 and 2Q15. The provision was primarily related to our consumer finance business.

### Total operating expenses

Compared to 1Q16, total operating expenses of CHF 582 million decreased 8%, primarily reflecting lower restructuring expenses, decreased general and administrative expenses and slightly lower compensation and benefits. General and administrative expenses of CHF 224 million decreased 5% due to lower allocated corporate function costs, including the impact of the changes to the methodology for the allocation of corporate function costs, partially offset by higher advertising and marketing costs. Compensation and benefits of CHF 308 million were slightly lower compared to 1Q16 reflecting lower allocated corporate function costs partially offset by higher salary expenses. Adjusted total operating expenses decreased slightly compared to 1Q16.

Compared to 2Q15, total operating expenses decreased 16%, mainly driven by lower general and administrative expenses and lower compensation and benefits. General and administrative expenses decreased 27%, primarily reflecting the impact of CHF 62 million from the deconsolidation of the cards issuing business. Compensation and benefits decreased 8%, reflecting lower discretionary compensation expenses, lower deferred compensation expenses from prior-year awards and lower pension expenses.

## MARGINS

### Gross margin

Our gross margin was 140 basis points in 2Q16, two basis points lower compared to 1Q16, mainly reflecting lower net interest income and higher average assets under management. Compared to 2Q15, our gross margin was nine basis points lower, mainly driven by lower recurring commissions and fees, reflecting the impact of the deconsolidation of the cards issuing business and lower transaction-based revenues, partially offset by a 6.1% decrease in average assets under management, including a reclassification in 3Q15 of CHF 15.8 billion of assets under management to assets under custody within client assets due to the introduction of an updated assets under management policy in 2015.

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

### Net margin

Our net margin was 42 basis points in 2Q16, eight basis points higher compared to 1Q16, mainly due to lower total operating

expenses, partially offset by higher average assets under management. Compared to 2Q15, our net margin was two basis points higher, with lower total operating expenses due to the deconsolidation of the cards issuing business and the 6.1% decrease in average assets under management, mainly offset by lower net revenues. On the basis of adjusted income before taxes, our net margin was 42 basis points in 2Q16, two basis points higher compared to 1Q16 and five basis points higher compared to 2Q15.

### ASSETS UNDER MANAGEMENT

As of the end of 2Q16, assets under management of CHF 241.4 billion were CHF 5.3 billion higher compared to the end of 1Q16, driven by favorable market movements and net new assets of CHF 0.9 billion.

### Assets under management – Private Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 241.4 | 236.1 | 253.6 | 2.2 | (4.8) | 241.4 | 253.6 | (4.8) |
| Average assets under management | 240.8 | 238.1 | 256.4 | 1.1 | (6.1) | 239.4 | 254.8 | (6.0) |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 40.8 | 39.7 | 41.7 | 2.8 | (2.2) | 40.8 | 41.7 | (2.2) |
| EUR | 36.7 | 35.9 | 32.0 | 2.2 | 14.7 | 36.7 | 32.0 | 14.7 |
| CHF | 152.5 | 149.7 | 163.6 | 1.9 | (6.8) | 152.5 | 163.6 | (6.8) |
| Other | 11.4 | 10.8 | 16.3 | 5.6 | (30.1) | 11.4 | 16.3 | (30.1) |
| **Assets under management** | **241.4** | **236.1** | **253.6** | 2.2 | (4.8) | **241.4** | **253.6** | (4.8) |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 0.9 | 0.7 | 1.5 | – | – | 1.6 | 3.0 | – |
| Other effects | 4.4 | (5.6) | (4.4) | – | – | (1.2) | (8.0) | – |
| of which market movements | 3.3 | (4.6) | (2.5) | – | – | (1.3) | 3.5 | – |
| of which foreign exchange | 0.1 | (1.3) | (1.7) | – | – | (1.2) | (8.9) | – |
| of which other | 1.0 | 0.3 | (0.2) | – | – | 1.3 | (2.6) | – |
| **Growth in assets under management** | **5.3** | **(4.9)** | **(2.9)** | – | – | **0.4** | **(5.0)** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 1.5 | 1.1 | 2.3 | – | – | 1.3 | 2.3 | – |
| Other effects | 7.5 | (9.2) | (6.8) | – | – | (1.0) | (6.2) | – |
| **Growth in assets under management (annualized)** | **9.0** | **(8.1)** | **(4.5)** | – | – | **0.3** | **(3.9)** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 0.7 | 0.9 | 0.5 | – | – | – | – | – |
| Other effects | (5.5) | (8.9) | (2.8) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **(4.8)** | **(8.0)** | **(2.3)** | – | – | – | – | – |

## CORPORATE & INSTITUTIONAL BANKING

### RESULTS

Income before taxes of CHF 202 million decreased 11% compared to 1Q16, mainly due to slightly lower net revenues and slightly higher total operating expenses. Compared to 2Q15, income before taxes was 4% lower, with higher total operating expenses and slightly lower net revenues, partially offset by significantly lower provision for credit losses. Adjusted income before taxes of CHF 203 million decreased 13% compared to 1Q16 and 4% compared to 2Q15.

#### Net revenues

Compared to 1Q16, net revenues of CHF 497 million decreased slightly, with lower net interest income, partly offset by increased recurring commissions and fees and an increase of transaction-based revenues. Net interest income of CHF 242 million decreased 11%, due to decreased deposit margins on lower average deposit volumes. Recurring commissions and fees were CHF 123 million, 13% higher reflecting improved revenues from wealth structuring solutions and higher fees from lending activities. Transaction-based revenues of CHF 146 million increased 5%, with higher revenues from our Swiss investment banking business partially offset by lower sales and trading revenues.

Compared to 2Q15, net revenues decreased slightly due to lower transaction-based revenues and lower other revenues, partially offset by higher recurring commissions and fees and slightly higher net interest income. Transaction-based revenues decreased

10% with lower sales and trading revenues and lower corporate advisory fees, partly offset by higher revenues from our Swiss investment banking business. Other revenues decreased CHF 7 million due to higher fair value losses on synthetic securitized loan portfolios. Recurring commissions and fees increased 9%, primarily reflecting higher fees from lending activities and increased revenues from wealth structuring solutions. Net interest income increased slightly, driven by improved loan and deposit margins on stable average loan volumes and decreased average deposit volumes.

## Results – Corporate & Institutional Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **497** | **510** | **506** | (3) | (2) | **1,007** | **986** | 2 |
| **Provision for credit losses** | **2** | **(3)** | **24** | – | (92) | **(1)** | **35** | – |
| Compensation and benefits | 182 | 162 | 160 | 12 | 14 | 344 | 324 | 6 |
| General and administrative expenses | 85 | 94 | 88 | (10) | (3) | 179 | 177 | 1 |
| Commission expenses | 25 | 25 | 23 | 0 | 9 | 50 | 45 | 11 |
| Restructuring expenses | 1 | 5 | – | (80) | – | 6 | – | – |
| Total other operating expenses | 111 | 124 | 111 | (10) | 0 | 235 | 222 | 6 |
| **Total operating expenses** | **293** | **286** | **271** | 2 | 8 | **579** | **546** | 6 |
| **Income before taxes** | **202** | **227** | **211** | (11) | (4) | **429** | **405** | 6 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 59.0 | 56.1 | 53.6 | – | – | 57.5 | 55.4 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 242 | 272 | 238 | (11) | 2 | 514 | 443 | 16 |
| Recurring commissions and fees | 123 | 109 | 113 | 13 | 9 | 232 | 234 | (1) |
| Transaction-based revenues | 146 | 139 | 162 | 5 | (10) | 285 | 321 | (11) |
| Other revenues | (14) | (10) | (7) | 40 | 100 | (24) | (12) | 100 |
| **Net revenues** | **497** | **510** | **506** | (3) | (2) | **1,007** | **986** | 2 |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 470 | 480 | 480 | (2) | (2) | 470 | 480 | (2) |

### Provision for credit losses

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

In 2Q16, Corporate & Institutional Banking recorded provision for credit losses of CHF 2 million compared to a release of provision for credit losses of CHF 3 million in 1Q16 and provision for credit losses of CHF 24 million in 2Q15.

### Total operating expenses

Compared to 1Q16, total operating expenses of CHF 293 million increased slightly with higher compensation and benefits, mainly offset by lower general and administrative expenses and lower restructuring expenses. Compensation and benefits of CHF 182 million increased 12%, driven by higher discretionary compensation expenses and higher social security costs. General and administrative expenses of CHF 85 million decreased 10% due to lower allocated corporate function costs.

Compared to 2Q15, total operating expenses increased 8% driven by higher compensation and benefits, partly offset by slightly lower general and administrative expenses. Compensation and benefits were 14% higher, driven by higher discretionary compensation expenses and higher deferred compensation expenses from prior-year awards partially offset by lower salary expenses. General and administrative expenses decreased slightly.

## ASSETS UNDER MANAGEMENT

As of the end of 2Q16, assets under management of CHF 280.9 billion were CHF 7.3 billion higher compared to the end of 1Q16, driven by favorable market and foreign exchange-related movements and net new assets of CHF 0.7 billion.

# International Wealth Management

In 2Q16, we reported income before taxes of CHF 245 million and net revenues of CHF 1,145 million.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, we reported income before taxes of CHF 245 million and net revenues of CHF 1,145 million. Compared to 1Q16, net revenues decreased slightly due to a residual gain from a private equity interest in Asset Management recorded in 1Q16, lower sales and trading revenues and a decrease in net interest income, partially offset by higher investment-related gains in 2Q16. Provision for credit losses increased. Total operating expenses were stable compared to 1Q16 as higher compensation and benefits were offset by lower general and administrative expenses.

Net revenues were slightly lower compared to 2Q15, primarily reflecting lower transaction- and performance-based revenues and lower recurring commissions and fees, partially offset by higher net interest income and higher investment-related gains. Provision for credit losses increased. Total operating expenses were stable as slightly lower compensation and benefits and lower general and administrative expenses were offset by restructuring expenses.

Adjusted income before taxes of CHF 260 million decreased 16% and 4% compared to 1Q16 and 2Q15, respectively.

### Capital and leverage metrics

As of the end of 2Q16, we reported risk-weighted assets of CHF 33.6 billion, an increase of CHF 0.6 billion compared to the end of 1Q16. Leverage exposure was CHF 95.4 billion, reflecting an increase of CHF 4.6 billion compared to the end of 1Q16, driven by increased HQLA balances associated with funding requirements.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,145** | **1,173** | **1,165** | (2) | (2) | **2,318** | **2,286** | 1 |
| **Provision for credit losses** | **16** | **(2)** | **(1)** | – | – | **14** | **1** | – |
| Compensation and benefits | 540 | 501 | 557 | 8 | (3) | 1,041 | 1,086 | (4) |
| General and administrative expenses | 266 | 305 | 276 | (13) | (4) | 571 | 526 | 9 |
| Commission expenses | 63 | 61 | 61 | 3 | 3 | 124 | 123 | 1 |
| Restructuring expenses | 15 | 8 | – | 88 | – | 23 | – | – |
| Total other operating expenses | 344 | 374 | 337 | (8) | 2 | 718 | 649 | 11 |
| **Total operating expenses** | **884** | **875** | **894** | 1 | (1) | **1,759** | **1,735** | 1 |
| **Income before taxes** | **245** | **300** | **272** | (18) | (10) | **545** | **550** | (1) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 20.6 | 24.9 | 23.3 | – | – | 22.7 | 24.1 | – |
| Cost/income ratio | 77.2 | 74.6 | 76.7 | – | – | 75.9 | 75.9 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 3,751 | 3,596 | 3,256 | 4 | 15 | 3,657 | 3,238 | 13 |
| Pre-tax return on average economic risk capital (%) [1] | 27.2 | 34.4 | 34.3 | – | – | 30.9 | 34.8 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 10,010 | 10,170 | 9,380 | (2) | 7 | 10,010 | 9,380 | 7 |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Private Banking | 811 | 853 | 830 | (5) | (2) | 1,664 | 1,631 | 2 |
| Asset Management | 334 | 320 | 335 | 4 | 0 | 654 | 655 | 0 |
| **Net revenues** | **1,145** | **1,173** | **1,165** | (2) | (2) | **2,318** | **2,286** | 1 |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 304 | 325 | 252 | (6) | 21 | 629 | 472 | 33 |
| Recurring commissions and fees | 477 | 477 | 497 | 0 | (4) | 954 | 975 | (2) |
| Transaction- and performance-based revenues | 340 | 393 | 420 | (13) | (19) | 733 | 837 | (12) |
| Other revenues | 24 | (22) | (4) | – | – | 2 | 2 | 0 |
| **Net revenues** | **1,145** | **1,173** | **1,165** | (2) | (2) | **2,318** | **2,286** | 1 |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 19 | 2 | 1 | – | – | 21 | 6 | 250 |
| Releases of provisions | (3) | (4) | (2) | (25) | 50 | (7) | (5) | 40 |
| **Provision for credit losses** | **16** | **(2)** | **(1)** | – | – | **14** | **1** | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 90,156 | 85,766 | 90,999 | 5 | (1) | 90,156 | 90,999 | (1) |
| Net loans | 43,059 | 40,171 | 38,852 | 7 | 11 | 43,059 | 38,852 | 11 |
| Risk-weighted assets | 33,613 | 33,028 | 31,532 | 2 | 7 | 33,613 | 31,532 | 7 |
| Leverage exposure | 95,442 | 90,865 | 91,601 | 5 | 4 | 95,442 | 91,601 | 4 |

## Reconciliation of adjusted results

| | | Private Banking | | | Asset Management | | **International Wealth Management** | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **811** | **853** | **830** | **334** | **320** | **335** | **1,145** | **1,173** | **1,165** |
| **Provision for credit losses** | **16** | **(2)** | **(1)** | **0** | **0** | **0** | **16** | **(2)** | **(1)** |
| **Total operating expenses** | **611** | **622** | **619** | **273** | **253** | **275** | **884** | **875** | **894** |
| Restructuring expenses | (13) | (10) | – | (2) | 2 | – | (15) | (8) | – |
| **Adjusted total operating expenses** | **598** | **612** | **619** | **271** | **255** | **275** | **869** | **867** | **894** |
| **Income before taxes** | **184** | **233** | **212** | **61** | **67** | **60** | **245** | **300** | **272** |
| Total adjustments | 13 | 10 | 0 | 2 | (2) | 0 | 15 | 8 | 0 |
| **Adjusted income before taxes** | **197** | **243** | **212** | **63** | **65** | **60** | **260** | **308** | **272** |

| | | Private Banking | | Asset Management | | **International Wealth Management** | |
|---|---|---|---|---|---|---|---|
| in | **6M16** | 6M15 | **6M16** | 6M15 | **6M16** | 6M15 |
| **Adjusted results (CHF million)** | | | | | | | |
| **Net revenues** | **1,664** | **1,631** | **654** | **655** | **2,318** | **2,286** |
| **Provision for credit losses** | **14** | **1** | **0** | **0** | **14** | **1** |
| **Total operating expenses** | **1,233** | **1,186** | **526** | **549** | **1,759** | **1,735** |
| Restructuring expenses | (23) | – | 0 | – | (23) | – |
| Major litigation provisions | 0 | 10 | 0 | 0 | 0 | 10 |
| **Adjusted total operating expenses** | **1,210** | **1,196** | **526** | **549** | **1,736** | **1,745** |
| **Income before taxes** | **417** | **444** | **128** | **106** | **545** | **550** |
| Total adjustments | 23 | (10) | 0 | 0 | 23 | (10) |
| **Adjusted income before taxes** | **440** | **434** | **128** | **106** | **568** | **540** |

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

## PRIVATE BANKING

### RESULTS

Income before taxes of CHF 184 million decreased 21% and 13% compared to 1Q16 and 2Q15, respectively, primarily reflecting lower net revenues and higher provision for credit losses, partially offset by slightly lower total operating expenses. Adjusted income before taxes of CHF 197 million decreased 19% and 7% compared to 1Q16 and 2Q15, respectively.

#### Net revenues

Compared to 1Q16, net revenues of CHF 811 million were 5% lower, primarily reflecting a decline in net interest income as well as lower transaction- and performance-based revenues. Net interest income of CHF 304 million decreased 6% and reflected lower deposit margins on slightly higher average deposit volumes and stable loan margins on higher average loan volumes. Transaction- and performance-based revenues of CHF 236 million decreased 7%, mainly driven by lower sales and trading revenues, partially offset by higher equity participations income which included a regular dividend from SIX Group. Recurring commissions and fees of CHF 273 million were stable.

Compared to 2Q15, net revenues decreased slightly, primarily driven by lower transaction- and performance-based revenues and lower recurring commissions and fees, partially offset by higher net interest income. Transaction- and performance-based revenues decreased 16%, mainly driven by lower brokerage and product issuing fees, significantly lower half-yearly performance fees reflecting the challenging market conditions and lower sales and trading revenues. Recurring commissions and fees decreased 9%, primarily driven by lower security account and custody services fees and a decline in banking services fees, and included the impact of lower average assets under management. Net interest income increased 21%, primarily reflecting higher loan margins on higher average loan volumes.

### Results – Private Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **811** | **853** | **830** | (5) | (2) | **1,664** | **1,631** | 2 |
| **Provision for credit losses** | **16** | **(2)** | **(1)** | – | – | **14** | **1** | – |
| Compensation and benefits | 363 | 349 | 385 | 4 | (6) | 712 | 740 | (4) |
| General and administrative expenses | 191 | 221 | 188 | (14) | 2 | 412 | 354 | 16 |
| Commission expenses | 44 | 42 | 46 | 5 | (4) | 86 | 92 | (7) |
| Restructuring expenses | 13 | 10 | – | 30 | – | 23 | – | – |
| Total other operating expenses | 248 | 273 | 234 | (9) | 6 | 521 | 446 | 17 |
| **Total operating expenses** | **611** | **622** | **619** | (2) | (1) | **1,233** | **1,186** | 4 |
| **Income before taxes** | **184** | **233** | **212** | (21) | (13) | **417** | **444** | (6) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 75.3 | 72.9 | 74.6 | – | – | 74.1 | 72.7 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 304 | 325 | 252 | (6) | 21 | 629 | 472 | 33 |
| Recurring commissions and fees | 273 | 276 | 299 | (1) | (9) | 549 | 586 | (6) |
| Transaction- and performance-based revenues | 236 | 254 | 280 | (7) | (16) | 490 | 574 | (15) |
| Other revenues | (2) | (2) | (1) | 0 | 100 | (4) | (1) | 300 |
| **Net revenues** | **811** | **853** | **830** | (5) | (2) | **1,664** | **1,631** | 2 |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 110 | 119 | 108 | – | – | 115 | 106 | – |
| Net margin [2] | 25 | 32 | 28 | – | – | 29 | 29 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 1,170 | 1,170 | 1,180 | 0 | (1) | 1,170 | 1,180 | (1) |

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

[1] Net revenues divided by average assets under management.

[2] Income before taxes divided by average assets under management.

**Provision for credit losses**

In 2Q16, Private Banking recorded provision for credit losses of CHF 16 million primarily related to a small number of individual cases, compared to releases of provision for credit losses of CHF 2 million and CHF 1 million in 1Q16 and 2Q15, respectively.

**Total operating expenses**

Compared to 1Q16, total operating expenses of CHF 611 million were slightly lower, primarily reflecting lower general and administrative expenses partially offset by higher compensation and benefits of CHF 363 million and higher restructuring expenses of CHF 13 million. General and administrative expenses of CHF 191 million decreased 14%, mainly reflecting lower allocated corporate function costs, including the impact of the changes to the methodology for the allocation of corporate function costs, and lower litigation provisions, partially offset by higher professional services fees.

Compared to 2Q15, total operating expenses were stable, primarily reflecting lower compensation and benefits, partially offset by restructuring expenses in 2Q16. Compensation and benefits decreased 6%, driven by lower discretionary compensation expenses, lower social security costs and lower deferred compensation expenses from prior-year awards, partially offset by higher salary expenses driven by higher headcount. General and administrative expenses increased slightly, primarily from higher professional services fees and higher advertising and marketing costs. Adjusted total operating expenses decreased slightly compared to 2Q15.

## MARGINS

**Gross margin**

Our gross margin was 110 basis points in 2Q16, a decline of nine basis points compared to 1Q16, mainly reflecting lower net interest income, lower transaction- and performance-based revenues and a 2.4% increase in average assets under management. Our gross margin was two basis points higher compared to 2Q15, mainly reflecting higher net interest income and a 4.5% decrease in average assets under management, partially offset by lower transaction- and performance-based revenues and lower recurring commissions and fees. In 3Q15 there was a reclassification of CHF 11.1 billion of assets under management to assets under custody within client assets due to the introduction of the updated assets under management policy in 2015.

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

**Net margin**

Our net margin was 25 basis points in 2Q16, a decline of seven basis points compared to 1Q16, reflecting lower net revenues, higher provision for credit losses and the 2.4% increase in average assets under management, partially offset by slightly lower total operating expenses. Our net margin was three basis points lower compared to 2Q15, reflecting slightly lower net revenues and higher provision for credit losses, partially offset by the 4.5% decrease in average assets under management. On the basis of adjusted income before taxes, our net margin was 27 basis points in 2Q16, seven basis points lower compared to 1Q16 and one basis point lower compared to 2Q15.

## ASSETS UNDER MANAGEMENT

As of the end of 2Q16, assets under management of CHF 298.6 billion were CHF 11.6 billion higher compared to the end of 1Q16, reflecting net new assets of CHF 5.4 billion and favorable market and foreign exchange-related movements. The net new assets reflected solid inflows from emerging markets and Europe.

### Assets under management – Private Banking

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 298.6 | 287.0 | 303.3 | 4.0 | (1.5) | 298.6 | 303.3 | (1.5) |
| Average assets under management | 294.1 | 287.2 | 307.9 | 2.4 | (4.5) | 290.6 | 307.7 | (5.6) |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 137.3 | 130.9 | 144.1 | 4.9 | (4.7) | 137.3 | 144.1 | (4.7) |
| EUR | 86.9 | 86.0 | 93.9 | 1.0 | (7.5) | 86.9 | 93.9 | (7.5) |
| CHF | 20.9 | 21.7 | 22.0 | (3.7) | (5.0) | 20.9 | 22.0 | (5.0) |
| Other | 53.5 | 48.4 | 43.3 | 10.5 | 23.6 | 53.5 | 43.3 | 23.6 |
| **Assets under management** | **298.6** | **287.0** | **303.3** | 4.0 | (1.5) | **298.6** | **303.3** | (1.5) |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 5.4 | 5.4 | 0.2 | – | – | 10.8 | (0.5) | – |
| Other effects | 6.2 | (8.0) | (7.3) | – | – | (1.8) | (19.9) | – |
| of which market movements | 4.2 | (6.3) | (1.4) | – | – | (2.1) | 7.3 | – |
| of which currency | 3.3 | (2.0) | (5.7) | – | – | 1.3 | (26.5) | – |
| of which other | (1.3) | 0.3 | (0.2) | – | – | (1.0) | (0.7) | – |
| **Growth in assets under management** | **11.6** | **(2.6)** | **(7.1)** | – | – | **9.0** | **(20.4)** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 7.5 | 7.5 | 0.3 | – | – | 7.4 | (0.3) | – |
| Other effects | 8.6 | (11.1) | (9.4) | – | – | (1.2) | (12.3) | – |
| **Growth in assets under management (annualized)** | **16.1** | **(3.6)** | **(9.1)** | – | – | **6.2** | **(12.6)** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 2.7 | 1.0 | 1.1 | – | – | – | – | – |
| Other effects | (4.3) | (8.5) | (2.8) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **(1.6)** | **(7.5)** | **(1.7)** | – | – | – | – | – |

## ASSET MANAGEMENT

### Results – Asset Management

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **334** | **320** | **335** | 4 | 0 | **654** | **655** | 0 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| Compensation and benefits | 177 | 152 | 172 | 16 | 3 | 329 | 346 | (5) |
| General and administrative expenses | 75 | 84 | 88 | (11) | (15) | 159 | 172 | (8) |
| Commission expenses | 19 | 19 | 15 | 0 | 27 | 38 | 31 | 23 |
| Restructuring expenses | 2 | (2) | – | – | – | 0 | – | – |
| Total other operating expenses | 96 | 101 | 103 | (5) | (7) | 197 | 203 | (3) |
| **Total operating expenses** | **273** | **253** | **275** | 8 | (1) | **526** | **549** | (4) |
| **Income before taxes** | **61** | **67** | **60** | (9) | 2 | **128** | **106** | 21 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 81.7 | 79.1 | 82.1 | – | – | 80.4 | 83.8 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Management fees | 220 | 225 | 218 | (2) | 1 | 445 | 424 | 5 |
| Performance and placement revenues | 42 | 17 | 38 | 147 | 11 | 59 | 73 | (19) |
| Investment and partnership income | 72 | 78 | 79 | (8) | (9) | 150 | 158 | (5) |
| **Net revenues** | **334** | **320** | **335** | 4 | 0 | **654** | **655** | 0 |
| of which recurring commissions and fees | 204 | 201 | 198 | 1 | 3 | 405 | 389 | 4 |
| of which transaction- and performance-based revenues | 104 | 139 | 140 | (25) | (26) | 243 | 263 | (8) |
| of which other revenues | 26 | (20) | (3) | – | – | 6 | 3 | 100 |

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

### RESULTS

Income before taxes of CHF 61 million decreased 9% compared to 1Q16, driven by higher total operating expenses, partially offset by higher net revenues. Income before taxes was stable compared to 2Q15, reflecting stable net revenues and stable total operating expenses.

#### Net revenues

Compared to 1Q16, net revenues of CHF 334 million increased 4%, mainly driven by significantly higher performance and placement revenues, partially offset by lower investment and partnership income and slightly lower management fees. Performance and placement revenues of CHF 42 million increased CHF 25 million with higher investment-related gains, higher performance fees mainly from credit strategies and higher placement fees. Investment and partnership income decreased 8% to CHF 72 million as 1Q16 included a residual gain from a private equity interest, partially offset by an investment gain from Asset Management Finance LLC (AMF) in 2Q16.

Compared to 2Q15, net revenues were stable, reflecting higher performance and placement revenues, offset by lower investment and partnership income. Performance and placement revenues increased 11%, primarily reflecting better performance from credit strategies and higher investment-related gains, partially offset by lower placement fees. Investment and partnership income decreased 9%, reflecting lower performance from single manager hedge funds, partially offset by an investment gain from AMF in 2Q16. Management fees of CHF 220 million were stable.

#### Total operating expenses

Compared to 1Q16, total operating expenses of CHF 273 million increased 8%, reflecting higher compensation and benefits and higher restructuring expenses, partially offset by lower general and administrative expenses. Compensation and benefits of CHF 177 million increased 16%, reflecting higher discretionary compensation expenses and higher deferred compensation expenses from prior-year awards. General and administrative expenses of CHF 75 million decreased 11%, mainly reflecting lower allocated corporate function costs.

Compared to 2Q15, total operating expenses were stable, primarily reflecting lower general and administrative expenses, partially offset by slightly higher compensation and benefits and restructuring expenses of CHF 2 million in 2Q16. General and administrative expenses were CHF 13 million lower, reflecting lower allocated corporate function costs. Compensation and benefits were slightly higher, mainly reflecting higher discretionary compensation expenses.

## ASSETS UNDER MANAGEMENT

As of the end of 2Q16, assets under management of CHF 314.9 billion were CHF 13.6 billion higher compared to the end of 1Q16, reflecting favorable market movements, net new assets of CHF 3.5 billion and favorable foreign exchange-related movements. Net new assets reflected inflows from an emerging market joint venture and from a new product launch, partially offset by an outflow from a single mandate.

### Assets under management – Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Traditional investments | 159.5 | 155.8 | 170.4 | 2.4 | (6.4) | 159.5 | 170.4 | (6.4) |
| Alternative investments | 115.7 | 109.1 | 109.1 | 6.0 | 6.0 | 115.7 | 109.1 | 6.0 |
| Investments and partnerships | 39.7 | 36.4 | 33.6 | 9.1 | 18.2 | 39.7 | 33.6 | 18.2 |
| **Assets under management** | **314.9** | **301.3** | **313.1** | 4.5 | 0.6 | **314.9** | **313.1** | 0.6 |
| Average assets under management | 310.8 | 315.7 | 312.0 | (1.6) | (0.4) | 313.3 | 306.3 | 2.3 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 88.9 | 80.1 | 88.7 | 11.0 | 0.2 | 88.9 | 88.7 | 0.2 |
| EUR | 36.4 | 39.5 | 41.2 | (7.8) | (11.7) | 36.4 | 41.2 | (11.7) |
| CHF | 142.6 | 140.4 | 146.9 | 1.6 | (2.9) | 142.6 | 146.9 | (2.9) |
| Other | 47.0 | 41.3 | 36.3 | 13.8 | 29.5 | 47.0 | 36.3 | 29.5 |
| **Assets under management** | **314.9** | **301.3** | **313.1** | 4.5 | 0.6 | **314.9** | **313.1** | 0.6 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets [1] | 3.5 | 1.5 | 8.1 | – | – | 5.0 | 17.3 | – |
| Other effects | 10.1 | (21.5) | (4.9) | – | – | (11.4) | (9.4) | – |
| of which market movements | 6.8 | (5.6) | (0.7) | – | – | 1.2 | 4.3 | – |
| of which foreign exchange | 2.0 | (2.3) | (4.3) | – | – | (0.3) | (13.7) | – |
| of which other | 1.3 | (13.6) | 0.1 | – | – | (12.3) | 0.0 | – |
| **Growth in assets under management** | **13.6** | **(20.0)** | **3.2** | – | – | **(6.4)** | **7.9** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 4.6 | 1.9 | 10.4 | – | – | 3.0 | 11.3 | – |
| Other effects | 13.4 | (26.8) | (6.3) | – | – | (7.0) | (6.2) | – |
| **Growth in assets under management** | **18.0** | **(24.9)** | **4.1** | – | – | **(4.0)** | **5.1** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 4.5 | 6.1 | 4.1 | – | – | – | – | – |
| Other effects | (4.0) | (8.9) | 2.2 | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **0.5** | **(2.8)** | **6.3** | – | – | – | – | – |

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

# Asia Pacific

In 2Q16, we reported income before taxes of CHF 206 million and net revenues of CHF 911 million. Income before taxes decreased 22% compared to 1Q16 and 44% compared to 2Q15.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, we reported income before taxes of CHF 206 million and net revenues of CHF 911 million. Compared to 1Q16, net revenues were stable, as higher equity sales and trading revenues, higher underwriting and advisory revenues and higher net interest income in Private Banking were offset by lower fixed income sales and trading revenues. Provision for credit losses of CHF 3 million in 2Q16 compared to a net release of provision of CHF 22 million in 1Q16. Total operating expenses of CHF 702 million increased 6%, primarily reflecting increased compensation and benefits driven by growth-related higher headcount and higher general and administrative expenses.

Compared to 2Q15, net revenues decreased 12%, driven by lower equity sales and trading revenues reflecting the absence of the strong market conditions experienced in 2Q15. Revenues from the UHNWI and HNWI client business in Private Banking increased 10%, reflecting an increase in net interest income, partially offset by a decrease in transaction-based revenues. Total operating expenses increased 6%, primarily from increased compensation and benefits driven by growth-related higher headcount and higher general and administrative expenses, partially offset by lower commission expenses.

Higher volumes of client trading activity made a positive contribution in the days immediately following the UK referendum on EU membership on June 23, 2016.

Adjusted income before taxes of CHF 216 million decreased 18% compared to 1Q16 and 41% compared to 2Q15.

### Capital and leverage metrics

At the end of 2Q16, we reported risk-weighted assets of CHF 31.6 billion, an increase of CHF 4.0 billion compared to the end of 1Q16, primarily due to an increase in commercial lending. Leverage exposure was CHF 107.6 billion, reflecting an increase of CHF 3.7 billion compared to the end of 1Q16, driven by increased HQLA balances associated with funding requirements.

## Divisional results

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **911** | **907** | **1,040** | 0 | (12) | **1,818** | **2,128** | (15) |
| **Provision for credit losses** | **3** | **(22)** | **11** | – | (73) | **(19)** | **8** | – |
| Compensation and benefits | 419 | 404 | 380 | 4 | 10 | 823 | 763 | 8 |
| General and administrative expenses | 203 | 190 | 188 | 7 | 8 | 393 | 358 | 10 |
| Commission expenses | 70 | 70 | 94 | 0 | (26) | 140 | 167 | (16) |
| Restructuring expenses | 10 | 1 | – | – | – | 11 | – | – |
| Total other operating expenses | 283 | 261 | 282 | 8 | 0 | 544 | 525 | 4 |
| **Total operating expenses** | **702** | **665** | **662** | 6 | 6 | **1,367** | **1,288** | 6 |
| **Income before taxes** | **206** | **264** | **367** | (22) | (44) | **470** | **832** | (44) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 15.6 | 20.8 | 26.4 | – | – | 18.2 | 27.7 | – |
| Cost/income ratio | 77.1 | 73.3 | 63.7 | – | – | 75.2 | 60.5 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 4,073 | 3,796 | 3,321 | 7 | 23 | 3,943 | 3,287 | 20 |
| Pre-tax return on average economic risk capital (%) [1] | 20.3 | 27.9 | 44.2 | – | – | 23.9 | 50.6 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 7,020 | 6,730 | 6,170 | 4 | 14 | 7,020 | 6,170 | 14 |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenues (CHF million)** | | | | | | | | |
| Private Banking | 337 | 319 | 307 | 6 | 10 | 656 | 604 | 9 |
| Investment Banking | 574 | 588 | 733 | (2) | (22) | 1,162 | 1,524 | (24) |
| **Net revenues** | **911** | **907** | **1,040** | 0 | (12) | **1,818** | **2,128** | (15) |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 4 | 0 | 13 | – | (69) | 4 | 14 | (71) |
| Releases of provisions | (1) | (22) | (2) | (95) | (50) | (23) | (6) | 283 |
| **Provision for credit losses** | **3** | **(22)** | **11** | – | (73) | **(19)** | **8** | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 92,194 | 90,218 | 92,799 | 2 | (1) | 92,194 | 92,799 | (1) |
| Net loans | 37,813 | 35,384 | 33,841 | 7 | 12 | 37,813 | 33,841 | 12 |
| Risk-weighted assets | 31,644 | 27,649 | 25,467 | 14 | 24 | 31,644 | 25,467 | 24 |
| Leverage exposure | 107,595 | 103,872 | 107,755 | 4 | 0 | 107,595 | 107,755 | 0 |

## Reconciliation of adjusted results

| | | Private Banking | | | Investment Banking | | **Asia Pacific** | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **337** | **319** | **307** | **574** | **588** | **733** | **911** | **907** | **1,040** |
| **Provision for credit losses** | **2** | **(17)** | **0** | **1** | **(5)** | **11** | **3** | **(22)** | **11** |
| **Total operating expenses** | **245** | **216** | **188** | **457** | **449** | **474** | **702** | **665** | **662** |
| Restructuring expenses | 0 | 0 | – | (10) | (1) | – | (10) | (1) | – |
| **Adjusted total operating expenses** | **245** | **216** | **188** | **447** | **448** | **474** | **692** | **664** | **662** |
| **Income before taxes** | **90** | **120** | **119** | **116** | **144** | **248** | **206** | **264** | **367** |
| Total adjustments | 0 | 0 | 0 | 10 | 1 | 0 | 10 | 1 | 0 |
| **Adjusted income before taxes** | **90** | **120** | **119** | **126** | **145** | **248** | **216** | **265** | **367** |

| | | | Private Banking | | Investment Banking | | **Asia Pacific** | |
|---|---|---|---|---|---|---|---|---|
| in | | | **6M16** | 6M15 | **6M16** | 6M15 | **6M16** | 6M15 |
| **Adjusted results (CHF million)** | | | | | | | | |
| **Net revenues** | | | **656** | **604** | **1,162** | **1,524** | **1,818** | **2,128** |
| **Provision for credit losses** | | | **(15)** | **(1)** | **(4)** | **9** | **(19)** | **8** |
| **Total operating expenses** | | | **461** | **378** | **906** | **910** | **1,367** | **1,288** |
| Restructuring expenses | | | 0 | – | (11) | – | (11) | – |
| **Adjusted total operating expenses** | | | **461** | **378** | **895** | **910** | **1,356** | **1,288** |
| **Income before taxes** | | | **210** | **227** | **260** | **605** | **470** | **832** |
| Total adjustments | | | 0 | 0 | 11 | 0 | 11 | 0 |
| **Adjusted income before taxes** | | | **210** | **227** | **271** | **605** | **481** | **832** |

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

## PRIVATE BANKING

### RESULTS

Income before taxes of CHF 90 million decreased 25% compared to 1Q16, primarily reflecting higher operating expenses and as a result of a net release of provision for credit losses in 1Q16, partially offset by higher net revenues. Compared to 2Q15 income before taxes decreased 24%, primarily from higher operating expenses, partially offset by higher net revenues.

#### Net revenues

Net revenues of CHF 337 million increased 6% compared to 1Q16, mainly due to higher other revenues and higher net interest income, partially offset by lower transaction-based revenues and lower recurring commissions and fees. Other revenues in 1Q16 primarily reflected the reversal of gains on credit hedges in 1Q16 that were offset by a corresponding release of provision for credit losses. Net interest income increased 7% to CHF 143 million reflecting higher loan and deposit margins on higher average volumes. Transaction-based revenues decreased 3% to CHF 124 million due to the receipt of a dividend from an equity participation in 1Q16, partially offset by higher brokerage and product issuing fees and corporate advisory fees arising from integrated solutions. Recurring commissions and fees decreased 4% to CHF 70 million, primarily reflecting lower banking services fees and fees from discretionary mandates.

Compared to 2Q15, net revenues increased 10%, mainly reflecting an increase in net interest income, partially offset by a decrease in transaction-based revenues. Net interest income increased 38% reflecting higher loan and deposit margins on higher average volumes. Recurring commissions and fees increased 11%, primarily reflecting higher wealth structuring solution and investment product management fees. Transaction-based revenues decreased 11%, primarily reflecting lower brokerage and product issuing fees, partially offset by higher corporate advisory fees arising from integrated solutions.

### Results – Private Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **337** | **319** | **307** | 6 | 10 | **656** | **604** | 9 |
| **Provision for credit losses** | **2** | **(17)** | **0** | – | – | **(15)** | **(1)** | – |
| Compensation and benefits | 158 | 148 | 126 | 7 | 25 | 306 | 251 | 22 |
| General and administrative expenses | 77 | 57 | 50 | 35 | 54 | 134 | 102 | 31 |
| Commission expenses | 10 | 11 | 12 | (9) | (17) | 21 | 25 | (16) |
| Total other operating expenses | 87 | 68 | 62 | 28 | 40 | 155 | 127 | 22 |
| **Total operating expenses** | **245** | **216** | **188** | 13 | 30 | **461** | **378** | 22 |
| **Income before taxes** | **90** | **120** | **119** | (25) | (24) | **210** | **227** | (7) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 72.7 | 67.7 | 61.2 | – | – | 70.3 | 62.6 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 143 | 134 | 104 | 7 | 38 | 277 | 200 | 39 |
| Recurring commissions and fees | 70 | 73 | 63 | (4) | 11 | 143 | 135 | 6 |
| Transaction-based revenues | 124 | 128 | 140 | (3) | (11) | 252 | 269 | (6) |
| Other revenues | 0 | (16) | 0 | 100 | – | (16) | 0 | – |
| **Net revenues** | **337** | **319** | **307** | 6 | 10 | **656** | **604** | 9 |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 87 | 86 | 78 | – | – | 86 | 77 | – |
| Net margin [2] | 23 | 32 | 30 | – | – | 28 | 29 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 650 | 620 | 550 | 5 | 18 | 650 | 550 | 18 |

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

#### Provision for credit losses

The Private Banking loan portfolio primarily comprises lombard loans, mainly backed by listed securities.

In 2Q16, Private Banking recorded a provision for credit losses of CHF 2 million, compared to a net release of provision for credit losses of CHF 17 million in 1Q16, which was offset by the reversal of gains from related credit hedges recorded in other revenues. Private Banking recorded no provision for credit losses in 2Q15.

#### Total operating expenses

Total operating expenses of CHF 245 million increased 13% compared to 1Q16, mainly reflecting higher general and administrative

expenses and higher compensation and benefits. General and administrative expenses increased 35%, to CHF 77 million, mainly due to the higher allocated corporate function costs related to investments in infrastructure for risk, control and compliance functions to support business growth and meet increasing regulatory requirements. Compensation and benefits increased 7% to CHF 158 million, primarily driven by higher salary expenses reflecting growth-related higher headcount.

Compared to 2Q15, total operating expenses increased 30%, mainly reflecting higher compensation and benefits and higher general and administrative expenses. Compensation and benefits increased 25% primarily driven by higher salary expenses reflecting growth-related higher headcount. General and administrative expenses increased 54%, mainly due to higher allocated corporate function costs related to investments in infrastructure for risk, control and compliance functions, and higher occupancy and marketing expenses.

## MARGINS

### Gross margin

Our gross margin was 87 basis points in 2Q16, one basis point higher compared to 1Q16, mainly reflecting higher other revenues and higher net interest income, partially offset by a 4.7% increase in average assets under management. Compared to 2Q15, our gross margin was nine basis points higher, mainly reflecting higher net interest income, partially offset by lower transaction-based revenues.

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

### Net margin

Our net margin was 23 basis points in 2Q16, nine basis points lower compared to 1Q16, mainly reflecting higher operating expenses. Compared to 2Q15, our net margin was seven basis points lower, mainly reflecting higher operating expenses and lower transaction-based revenues, partially offset by higher net interest income.

## ASSETS UNDER MANAGEMENT

As of the end of 2Q16, assets under management of CHF 158.3 billion were CHF 8.7 billion higher compared to the end of 1Q16, mainly reflecting net new assets of CHF 5.0 billion and favorable foreign exchange-related and market movements. Net new assets reflected inflows primarily from South East Asia, Australia and Greater China.

### Assets under management – Private Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 158.3 | 149.6 | 155.9 | 5.8 | 1.5 | 158.3 | 155.9 | 1.5 |
| Average assets under management | 155.1 | 148.2 | 157.4 | 4.7 | (1.5) | 151.6 | 152.2 | (0.4) |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 73.7 | 67.4 | 59.6 | 9.3 | 23.7 | 73.7 | 59.6 | 23.7 |
| EUR | 4.7 | 4.7 | 5.3 | 0.0 | (11.3) | 4.7 | 5.3 | (11.3) |
| CHF | 1.9 | 1.9 | 2.1 | 0.0 | (9.5) | 1.9 | 2.1 | (9.5) |
| Other | 78.0 | 75.6 | 88.9 | 3.2 | (12.3) | 78.0 | 88.9 | (12.3) |
| **Assets under management** | **158.3** | **149.6** | **155.9** | 5.8 | 1.5 | **158.3** | **155.9** | 1.5 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 5.0 | 4.3 | 6.6 | – | – | 9.3 | 11.1 | – |
| Other effects | 3.7 | (5.1) | (5.3) | – | – | (1.4) | (5.7) | – |
| of which market movements | 1.2 | (2.9) | 0.4 | – | – | (1.7) | 4.8 | – |
| of which foreign exchange | 2.4 | (2.3) | (5.2) | – | – | 0.1 | (9.9) | – |
| of which other | 0.1 | 0.1 | (0.5) | – | – | 0.2 | (0.6) | – |
| **Growth in assets under management** | **8.7** | **(0.8)** | **1.3** | – | – | **7.9** | **5.4** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 13.4 | 11.4 | 17.1 | – | – | 12.4 | 14.8 | – |
| Other effects | 9.9 | (13.5) | (13.7) | – | – | (1.8) | (7.6) | – |
| **Growth in assets under management (annualized)** | **23.3** | **(2.1)** | **3.4** | – | – | **10.6** | **7.2** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 10.3 | 11.4 | 13.9 | – | – | – | – | – |
| Other effects | (8.8) | (14.6) | 1.7 | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **1.5** | **(3.2)** | **15.6** | – | – | – | – | – |

## INVESTMENT BANKING

### RESULTS

Income before taxes of CHF 116 million decreased 19% compared to 1Q16, mainly due to slightly lower net revenues and higher restructuring expenses. Compared to 2Q15, income before taxes decreased 53%, mainly due to lower net revenues. Adjusted income before taxes of CHF 126 million decreased 13% compared to 1Q16 and 49% compared to 2Q15.

#### Net revenues

Net revenues of CHF 574 million were slightly lower compared to 1Q16, mainly reflecting lower fixed income sales and trading revenues, largely offset by higher equity sales and trading and underwriting and advisory revenues. Fixed income sales and trading revenues decreased 33% to CHF 167 million, mainly due to lower revenues from rates products. Equity sales and trading revenues increased 15% to CHF 340 million, reflecting higher revenues from prime services, systematic market making and equity derivatives due to improved market conditions, client activity and higher revenues from structured financing solutions, partially offset by lower revenues from cash equities reflecting subdued trading volumes. Equity derivatives results in 2Q16 included the positive impact of CHF 65 million resulting from a recalibration of the valuation model for certain hybrid instruments to reflect increased observability of pricing data and a more standardized approach across products. Underwriting and advisory revenues increased 39% to CHF 100 million, primarily reflecting higher advisory fees from M&A transactions and higher debt and equity underwriting revenues.

Compared to 2Q15, net revenues decreased 22%, mainly due to significantly lower equity sales and trading revenues, partially offset by higher fixed income sales and trading revenues. Equity sales and trading revenues decreased 39%, reflecting the absence of the strong market conditions experienced in 2Q15, primarily in derivatives and systematic market making. Equity derivatives results in 2Q16 included the impact of the recalibration of the valuation model for certain hybrid instruments. Cash equities revenues were lower due to subdued trading volumes. Fixed income sales and trading revenues increased 36%, primarily driven by rates and foreign exchange products. Underwriting and advisory revenues increased 22% due to higher advisory fees from M&A transactions and debt underwriting, partially offset by lower equity underwriting fees reflecting fewer initial public offerings (IPO) and related follow-on activities.

### Results – Investment Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **574** | **588** | **733** | (2) | (22) | **1,162** | **1,524** | (24) |
| **Provision for credit losses** | **1** | **(5)** | **11** | – | (91) | **(4)** | **9** | – |
| Compensation and benefits | 261 | 256 | 254 | 2 | 3 | 517 | 512 | 1 |
| General and administrative expenses | 126 | 133 | 138 | (5) | (9) | 259 | 256 | 1 |
| Commission expenses | 60 | 59 | 82 | 2 | (27) | 119 | 142 | (16) |
| Restructuring expenses | 10 | 1 | – | – | – | 11 | – | – |
| Total other operating expenses | 196 | 193 | 220 | 2 | (11) | 389 | 398 | (2) |
| **Total operating expenses** | **457** | **449** | **474** | 2 | (4) | **906** | **910** | 0 |
| **Income before taxes** | **116** | **144** | **248** | (19) | (53) | **260** | **605** | (57) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 79.6 | 76.4 | 64.7 | – | – | 78.0 | 59.7 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Fixed income sales and trading | 167 | 250 | 123 | (33) | 36 | 417 | 371 | 12 |
| Equity sales and trading | 340 | 295 | 553 | 15 | (39) | 635 | 1,041 | (39) |
| Underwriting and advisory | 100 | 72 | 82 | 39 | 22 | 172 | 154 | 12 |
| Other revenues | (33) | (29) | (25) | 14 | 32 | (62) | (42) | 48 |
| **Net revenues** | **574** | **588** | **733** | **(2)** | **(22)** | **1,162** | **1,524** | **(24)** |

**Provision for credit losses**
In 2Q16, Investment Banking recorded a provision for credit losses of CHF 1 million, compared to a net release of provision of CHF 5 million in 1Q16 and a provision for credit losses of CHF 11 million in 2Q15.

**Total operating expenses**
Total operating expenses of CHF 457 million increased slightly compared to 1Q16, mainly due to higher restructuring expenses and slightly higher compensation and benefits, partially offset by lower general and administrative expenses. The slight increase in compensation and benefits to CHF 261 million reflected higher salaries, partially offset by lower discretionary compensation and lower deferred compensation expenses from prior-year awards. General and administrative expenses decreased 5% to CHF 126 million, mainly reflecting lower allocated corporate function costs, partially offset by higher marketing expenses. Adjusted total operating expenses were stable compared to 1Q16.

Compared to 2Q15, total operating expenses decreased 4% mainly due to lower commission expenses and lower general and administrative expenses, partially offset by higher compensation and benefits and higher restructuring expenses. Commission expenses decreased 27% to CHF 60 million reflecting lower client trading volumes in equities. General and administrative expenses decreased 9%, mainly reflecting lower allocated corporate function costs, partially offset by higher marketing expenses. Compensation and benefits increased slightly, primarily driven by higher salary expenses, partially offset by lower discretionary compensation. Adjusted total operating expenses decreased 6% compared to 2Q15.

# Global Markets

In 2Q16, Global Markets reported income before taxes of CHF 154 million and net revenues of CHF 1,630 million. Net revenues increased 31% compared to 1Q16, primarily due to higher revenues from our credit businesses.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, Global Markets made significant progress on its accelerated restructuring towards achieving a more cost and capital efficient business with a reduced risk profile. The restructured business model operates under three business lines generating revenues from trading and underwriting: equities, credit and solutions. Equities includes cash equities, prime services, systematic market making and equity underwriting. Credit is comprised of our yield businesses, including global credit products, leveraged finance and investment grade underwriting and securitized products. Solutions combines our structured lending and derivatives capabilities across equity derivatives, global macro products and emerging markets.

In 2Q16, we reported income before taxes of CHF 154 million and net revenues of CHF 1,630 million. Compared to 1Q16, net revenues increased 31%, mainly due to higher revenues from our credit businesses. Compared to 2Q15, net revenues declined 15%. Revenues from our equities businesses declined 10%, credit decreased 20% and solutions decreased 6%.

Higher volumes of client trading activity made a positive contribution in the days immediately following the UK referendum on EU membership on June 23, 2016.

Total operating expenses of CHF 1,493 million increased 5% compared to 1Q16, reflecting increased compensation and benefits, partially offset by lower restructuring costs of CHF 50 million in 2Q16. Compared to 2Q15, total operating expenses declined 3%, reflecting improved operating efficiency, and due to lower compensation and benefits and litigation expenses. We reported an adjusted income before taxes of CHF 204 million in 2Q16, compared to an adjusted loss before taxes of CHF 98 million in 1Q16 and an adjusted income before taxes of CHF 445 million in 2Q15.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,630** | **1,245** | **1,926** | 31 | (15) | **2,875** | **4,077** | (29) |
| **Provision for credit losses** | **(17)** | **23** | **(4)** | – | 325 | **6** | **0** | – |
| Compensation and benefits | 778 | 671 | 821 | 16 | (5) | 1,449 | 1,645 | (12) |
| General and administrative expenses | 543 | 517 | 576 | 5 | (6) | 1,060 | 1,030 | 3 |
| Commission expenses | 122 | 132 | 142 | (8) | (14) | 254 | 284 | (11) |
| Restructuring expenses | 50 | 100 | – | (50) | – | 150 | – | – |
| Total other operating expenses | 715 | 749 | 718 | (5) | 0 | 1,464 | 1,314 | 11 |
| **Total operating expenses** | **1,493** | **1,420** | **1,539** | 5 | (3) | **2,913** | **2,959** | (2) |
| **Income/(loss) before taxes** | **154** | **(198)** | **391** | – | (61) | **(44)** | **1,118** | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 4.3 | – | 9.2 | – | – | – | 12.9 | – |
| Cost/income ratio | 91.6 | 114.1 | 79.9 | – | – | 101.3 | 72.6 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 9,924 | 10,862 | 12,330 | (9) | (20) | 10,527 | 12,411 | (15) |
| Pre-tax return on average economic risk capital (%) [1] | 6.6 | (6.9) | 13.4 | – | – | (0.4) | 18.7 | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Total assets | 239,419 | 237,716 | 287,616 | 1 | (17) | 239,419 | 287,616 | (17) |
| Risk-weighted assets | 50,750 | 56,698 | 60,727 | (10) | (16) | 50,750 | 60,727 | (16) |
| Risk-weighted assets (USD) | 52,094 | 59,205 | 64,980 | (12) | (20) | 52,094 | 64,980 | (20) |
| Leverage exposure | 279,099 | 280,029 | 332,361 | 0 | (16) | 279,099 | 332,361 | (16) |
| Leverage exposure (USD) | 286,490 | 292,413 | 355,637 | (2) | (19) | 286,490 | 355,637 | (19) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 11,620 | 11,780 | 11,470 | (1) | 1 | 11,620 | 11,470 | 1 |

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

### Capital and leverage metrics

We significantly reduced capital usage compared to both 1Q16 and 2Q15, and are operating within our end-2016 risk-weighted assets and leverage exposure targets. As of the end of 2Q16, we reported risk-weighted assets of USD 52.1 billion, below our end-2016 target of USD 60 billion. Risk-weighted assets decreased USD 7.1 billion compared to 1Q16, primarily reflecting movements in risk levels. Leverage exposure was USD 286.5 billion, reflecting a decrease of USD 5.9 billion compared to the end of 1Q16, primarily reflecting business reductions. This compares to our end-2016 target of USD 290 billion.

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Equities | 536 | 534 | 595 | 0 | (10) | 1,070 | 1,247 | (14) |
| Credit | 742 | 390 | 924 | 90 | (20) | 1,132 | 1,928 | (41) |
| Solutions | 409 | 345 | 437 | 19 | (6) | 754 | 968 | (22) |
| Other | (57) | (24) | (30) | 138 | 90 | (81) | (66) | 23 |
| **Net revenues** | **1,630** | **1,245** | **1,926** | 31 | (15) | **2,875** | **4,077** | (29) |

## Reconciliation of adjusted results

| | | | | | Global Markets |
|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **6M16** | 6M15 |
| **Adjusted results (CHF million)** | | | | | |
| **Net revenues** | **1,630** | **1,245** | **1,926** | **2,875** | **4,077** |
| **Provision for credit losses** | **(17)** | **23** | **(4)** | **6** | **0** |
| **Total operating expenses** | **1,493** | **1,420** | **1,539** | **2,913** | **2,959** |
| Restructuring expenses | (50) | (100) | – | (150) | – |
| Major litigation provisions | 0 | 0 | (54) | 0 | (54) |
| **Adjusted total operating expenses** | **1,443** | **1,320** | **1,485** | **2,763** | **2,905** |
| **Income/(loss) before taxes** | **154** | **(198)** | **391** | **(44)** | **1,118** |
| Total adjustments | 50 | 100 | 54 | 150 | 54 |
| **Adjusted income/(loss) before taxes** | **204** | **(98)** | **445** | **106** | **1,172** |

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

## RESULTS

### Equities

In 2Q16, equities revenues of CHF 536 million were stable compared to 1Q16, reflecting increased volatility surrounding the UK referendum. Systematic market making revenues increased, reflecting improved trading conditions. Prime services results improved, reflecting higher client financing activity and a seasonal increase in revenues as a result of the European dividend season. Equity underwriting revenues increased, reflecting an improvement in industry-wide issuance activity. In addition, cash equities trading revenues declined slightly, reflecting reduced trading volumes in Europe, Middle East and Africa (EMEA).

Compared to 2Q15, revenues declined 10%, reflecting lower capital usage, investor outflows from equity funds and increased volatility surrounding the United Kingdom referendum on withdrawal from the European Union, which negatively impacted underwriting activity. Prime services revenues declined due to reduced client activity and risk appetite and as a result of our reduced leverage exposure. Equity underwriting revenues declined in line with muted industry-wide activity across IPOs and follow-on offerings. Cash equities trading revenues declined, reflecting the negative impact of lower primary issuance activity. We had stable revenues in systematic market making, reflecting more favorable trading conditions and higher volatility surrounding the UK referendum.

### Credit

In 2Q16, credit revenues of CHF 742 million increased 90% compared to 1Q16, reflecting a significant rebound in credit asset prices and lower volatility, which supported increased client activity. Securitized products trading revenues increased substantially, primarily reflecting strong client activity, notably in non-agency residential mortgage-backed securities (RMBS) trading. Underwriting revenues increased as well, reflecting higher industry-wide leveraged finance and investment grade issuance activity. In addition, global credit products trading revenues increased significantly, reflecting improved leveraged finance trading revenues in a strong primary issuance environment.

Compared to 2Q15, revenues decreased 20%, primarily due to significantly lower results in our securitized products business. This decrease was partially offset by strong results in global credit products. Securitized products trading revenues declined across all products primarily as we decreased risk in the portfolio by reducing inventory positions and due to lower capital usage compared to 2Q15. Higher global credit products trading revenues reflected increased leveraged finance and investment grade trading activity. Underwriting revenues were stable as improved industry-wide investment grade issuance activity was offset by lower leveraged finance issuance activity.

**Solutions**

In 2Q16, solutions revenues of CHF 409 million increased 19% compared to 1Q16, reflecting less volatile commodity prices and improved market conditions. Emerging markets revenues increased compared to a muted 1Q16 performance, reflecting higher trading and financing performance, most notably in Brazil. Equity derivatives revenues increased, reflecting higher corporate derivatives and convertibles results. These increases were partially offset by lower global macro products revenues, driven by reduced client activity in our rates business.

Compared to 2Q15, revenues decreased 6%, reflecting increased volatility and macroeconomic uncertainty surrounding the UK referendum, which resulted in lower client activity. We had lower revenues in global macro products due to reduced client activity in our rates business. The decline in global macro products was partially offset by higher foreign exchange revenues due to higher volatility. Emerging markets revenues were stable as improved trading performance in Brazil, compared to subdued 2Q15 results, offset lower structured products performance. Equity derivatives revenues were stable, as higher revenues in corporate derivatives offset subdued client activity in structured derivatives.

**Provision for credit losses**

Global markets recorded a release of provision for credit losses of CHF 17 million in 2Q16. This compares to a provision for credit losses of CHF 23 million in 1Q16 and a release of provision for credit losses of CHF 4 million in 2Q15, reflecting a stabilizing energy sector.

**Total operating expenses**

In 2Q16, total operating expenses of CHF 1,493 million increased 5%, compared to 1Q16, primarily reflecting higher compensation and benefits and the changes to the methodology for the allocation of corporate function costs, partially offset by lower costs related to our risk, regulatory and compliance infrastructure and lower restructuring expenses. The increase in compensation and benefits was primarily driven by increased discretionary compensation expenses. General and administrative expenses increased, primarily reflecting higher indirect taxes. Adjusted total operating expenses increased 9%.

Compared to 2Q15, total operating expenses declined 3%, primarily due to lower compensation and benefits and lower litigation provisions, partially offset by higher restructuring expenses. The decrease in compensation and benefits was due to lower deferred compensation expenses from prior-year awards, reflecting a lower deferral rate. General and administrative expenses declined, reflecting lower litigation provisions. Adjusted total operating expenses decreased 3%.

# Investment Banking & Capital Markets

In 2Q16, Investment Banking & Capital Markets reported income before taxes of CHF 135 million and net revenues of CHF 543 million. Net revenues increased 40% compared to 1Q16 and declined 4% compared to 2Q15.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, we reported income before taxes of CHF 135 million, a significant increase compared to a loss in 1Q16, primarily due to higher net revenues, lower restructuring expenses and no provision for credit losses. Net revenues of CHF 543 million increased 40% compared to 1Q16, primarily due to higher underwriting revenues and better performance from our corporate lending portfolio. Revenues from advisory and other fees of CHF 178 million decreased 21%, reflecting a strong performance in 1Q16. This decrease was offset by higher debt and equity underwriting revenues. Debt underwriting revenues of CHF 303 million increased 68% compared to 1Q16 and equity underwriting revenues of CHF 95 million increased 116%. Total operating expenses of CHF 408 million decreased 3% compared to 1Q16, primarily reflecting lower restructuring expenses.

Compared to 2Q15, income before taxes decreased 7% and net revenues declined 4%. Although revenues from advisory and other fees decreased 3% compared to 2Q15, our share of wallet increased in 2Q16. Debt underwriting revenues increased 18% and equity underwriting revenues declined 26% compared to 2Q15. Total operating expenses decreased 4% compared to 2Q15, primarily reflecting a decrease in compensation and benefits.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **543** | **388** | **568** | 40 | (4) | **931** | **967** | (4) |
| **Provision for credit losses** | **0** | **29** | **0** | (100) | – | **29** | **0** | – |
| Compensation and benefits | 308 | 287 | 329 | 7 | (6) | 595 | 670 | (11) |
| General and administrative expenses | 108 | 106 | 93 | 2 | 16 | 214 | 198 | 8 |
| Commission expenses | 0 | 1 | 1 | (100) | (100) | 1 | 1 | 0 |
| Restructuring expenses | (8) | 27 | – | – | – | 19 | – | – |
| Total other operating expenses | 100 | 134 | 94 | (25) | 6 | 234 | 199 | 18 |
| **Total operating expenses** | **408** | **421** | **423** | (3) | (4) | **829** | **869** | (5) |
| **Income/(loss) before taxes** | **135** | **(62)** | **145** | – | (7) | **73** | **98** | (26) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 22.6 | – | 31.8 | – | – | 6.6 | 11.0 | – |
| Cost/income ratio | 75.1 | 108.5 | 74.5 | – | – | 89.0 | 89.9 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 4,567 | 4,311 | 3,389 | 6 | 35 | 4,400 | 3,507 | 25 |
| Pre-tax return on average economic risk capital (%) [1] | 11.8 | (5.8) | 17.1 | – | – | 3.3 | 5.6 | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Total assets | 22,064 | 20,772 | 12,792 | 6 | 72 | 22,064 | 12,792 | 72 |
| Risk-weighted assets | 16,513 | 16,990 | 13,568 | (3) | 22 | 16,513 | 13,568 | 22 |
| Risk-weighted assets (USD) | 16,950 | 17,741 | 14,518 | (4) | 17 | 16,950 | 14,518 | 17 |
| Leverage exposure | 43,756 | 44,369 | 34,247 | (1) | 28 | 43,756 | 34,247 | 28 |
| Leverage exposure (USD) | 44,915 | 46,331 | 36,645 | (3) | 23 | 44,915 | 36,645 | 23 |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 2,800 | 2,880 | 2,550 | (3) | 10 | 2,800 | 2,550 | 10 |

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

## Divisional results (continued)

| | | | in / end of | % change | | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | | |
| Advisory and other fees | 178 | 226 | 184 | (21) | (3) | 404 | 299 | 35 |
| Debt underwriting | 303 | 180 | 256 | 68 | 18 | 483 | 470 | 3 |
| Equity underwriting | 95 | 44 | 128 | 116 | (26) | 139 | 222 | (37) |
| Other | (33) | (62) | 0 | (47) | – | (95) | (24) | 296 |
| **Net revenues** | **543** | **388** | **568** | 40 | (4) | **931** | **967** | (4) |

## Reconciliation of adjusted results

| | | | | | Investment Banking & Capital Markets |
|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **6M16** | 6M15 |
| **Adjusted results (CHF million)** | | | | | |
| **Net revenues** | **543** | **388** | **568** | **931** | **967** |
| **Provision for credit losses** | **0** | **29** | **0** | **29** | **0** |
| **Total operating expenses** | **408** | **421** | **423** | **829** | **869** |
| Restructuring expenses | 8 | (27) | – | (19) | – |
| **Adjusted total operating expenses** | **416** | **394** | **423** | **810** | **869** |
| **Income/(loss) before taxes** | **135** | **(62)** | **145** | **73** | **98** |
| Total adjustments | (8) | 27 | 0 | 19 | 0 |
| **Adjusted income/(loss) before taxes** | **127** | **(35)** | **145** | **92** | **98** |

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

### Capital and leverage metrics

As of the end of 2Q16, risk-weighted assets were USD 17.0 billion, a decrease of USD 0.8 billion compared to the end of 1Q16, mainly driven by a reduction in underwriting volumes. Leverage exposure was USD 44.9 billion, reflecting a decrease of USD 1.4 billion compared to the end of 1Q16, as reduced commitment volumes offset increased HQLA balances associated with funding requirements.

## RESULTS

### Advisory and other fees

In 2Q16, revenues from advisory and other fees of CHF 178 million decreased 21% compared to 1Q16, which was marked by a strong performance.

Revenues decreased 3% compared to 2Q15. The decrease was lower than the industry-wide decline in the overall fee pool, resulting in an increase in our share of wallet in M&A. Share of wallet refers to our share of the overall fee pool for the respective products.

### Debt underwriting

In 2Q16, debt underwriting revenues of CHF 303 million increased 68% compared to 1Q16, driven by higher leveraged finance revenues and strong investment grade revenues from acquisition-related issuances.

Compared to 2Q15, revenues increased 18%, driven by higher derivatives financing, leveraged finance and investment grade revenues.

### Equity underwriting

In 2Q16, revenues from equity underwriting of CHF 95 million increased 116% compared to 1Q16, driven by higher revenues from follow-on offerings and equity derivatives.

Compared to 2Q15, revenues decreased 26%, primarily due to lower industry-wide equity issuance activity.

### Provision for credit losses

There was no provision for credit losses in 2Q16. In 1Q16, we recognized a CHF 29 million provision for credit losses, primarily relating to the energy sector.

### Total operating expenses

Total operating expenses of CHF 408 million decreased 3% compared to 1Q16, primarily reflecting lower restructuring expenses. Compensation and benefits increased 7%, driven by higher salary and discretionary compensation expenses. General and administrative expenses of CHF 108 million increased 2%.

Compared to 2Q15, total operating expenses decreased 4%, driven by a 6% decrease in compensation and benefits, reflecting a decline in deferred compensation expense from prior year awards as a result of lower deferral rates. This was partially offset by a 16% increase in general and administrative expenses, which was primarily driven by the changes to the methodology for the allocation of corporate function costs.

# Strategic Resolution Unit

In 2Q16, the Strategic Resolution Unit reported a loss before taxes of CHF 759 million and decreased its risk-weighted assets in US dollars by 13% and its leverage exposure in US dollars by 12%.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, we reported a loss before taxes of CHF 759 million compared to a loss before taxes of CHF 1,253 million in 1Q16 and a loss before taxes of CHF 250 million in 2Q15.

The Strategic Resolution Unit reported negative net revenues of CHF 363 million in 2Q16, which included valuation adjustments in the legacy investment banking portfolio and legacy funding costs, partially offset by revenues from the legacy cross-border business and small markets. In 2Q16, there was a release of provision for credit losses of CHF 37 million. Total operating expenses were CHF 433 million in 2Q16, including CHF 230 million of general and administrative expenses and CHF 162 million of compensation and benefits.

### Capital and leverage metrics

In 2Q16, reduced risk-weighted assets and leverage exposure reflected various initiatives, including the execution of a purchase and sale agreement on the entire credit derivative swap portfolio and the sale or restructure of the majority of cash credit assets during the quarter. As of the end of 2Q16, we reported risk-weighted assets of USD 58.0 billion, a decrease of USD 9.0 billion and USD 19.0 billion compared to the end of 1Q16 and 2Q15, respectively. Leverage exposure was USD 147.6 billion as of the end of 2Q16, reflecting a decrease of USD 19.3 billion and USD 55.4 billion compared to the end of 1Q16 and 2Q15, respectively.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(363)** | **(541)** | **410** | (33) | – | **(904)** | **725** | – |
| of which from noncontrolling interests without significant economic interest | (1) | 17 | 14 | – | – | 16 | (11) | – |
| **Provision for credit losses** | **(37)** | **115** | **12** | – | – | **78** | **16** | 388 |
| Compensation and benefits | 162 | 210 | 308 | (23) | (47) | 372 | 604 | (38) |
| General and administrative expenses | 230 | 292 | 303 | (21) | (24) | 522 | 580 | (10) |
| of which litigation expenses | 47 | 23 | 28 | 104 | 68 | 70 | 62 | 13 |
| Commission expenses | 21 | 16 | 37 | 31 | (43) | 37 | 79 | (53) |
| Restructuring expenses | 20 | 79 | – | (75) | – | 99 | – | – |
| Total other operating expenses | 271 | 387 | 340 | (30) | (20) | 658 | 659 | 0 |
| **Total operating expenses** | **433** | **597** | **648** | (27) | (33) | **1,030** | **1,263** | (18) |
| of which from noncontrolling interests without significant economic interest | (4) | 18 | 4 | – | – | 14 | 6 | 133 |
| **Loss before taxes** | **(759)** | **(1,253)** | **(250)** | (39) | 204 | **(2,012)** | **(554)** | 263 |
| of which from noncontrolling interests without significant economic interest | 3 | (1) | 10 | – | (70) | 2 | (17) | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 98,058 | 105,286 | 108,025 | (7) | (9) | 98,058 | 108,025 | (9) |
| Risk-weighted assets | 56,481 | 64,125 | 71,927 | (12) | (21) | 56,481 | 71,927 | (21) |
| Risk-weighted assets (USD) | 57,977 | 66,961 | 76,964 | (13) | (25) | 57,977 | 76,964 | (25) |
| Leverage exposure | 143,805 | 159,888 | 189,687 | (10) | (24) | 143,805 | 189,687 | (24) |
| Leverage exposure (USD) | 147,613 | 166,959 | 202,971 | (12) | (27) | 147,613 | 202,971 | (27) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 2,050 | 2,290 | 3,800 | (10) | (46) | 2,050 | 3,800 | (46) |

## Divisional results (continued)

| | | | in | % change | | | in | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Restructuring of select onshore businesses | 10 | 119 | 200 | (92) | (95) | 129 | 388 | (67) |
| Legacy cross-border business and small markets | 49 | 58 | 75 | (16) | (35) | 107 | 152 | (30) |
| Restructuring of former Asset Management division | (21) | (37) | 16 | (43) | – | (58) | (27) | 115 |
| Legacy investment banking portfolio | (317) | (611) | 141 | (48) | – | (928) | 298 | – |
| Legacy funding costs | (89) | (82) | (60) | 9 | 48 | (171) | (122) | 40 |
| Other | 6 | (5) | 24 | – | (75) | 1 | 47 | (98) |
| Noncontrolling interests without significant economic interest | (1) | 17 | 14 | – | – | 16 | (11) | – |
| **Net revenues** | **(363)** | **(541)** | **410** | (33) | – | **(904)** | **725** | – |

## RESULTS

### Net revenues

The Strategic Resolution Unit reported negative net revenues of CHF 363 million in 2Q16 compared to negative net revenues of CHF 541 million in 1Q16 and net revenues of CHF 410 million in 2Q15. Compared to 1Q16, the movement was primarily driven by valuation adjustments in the legacy investment banking portfolio, partially offset by lower revenues from the restructuring of select onshore businesses, in particular the transfer of our US private banking business, which was announced in October 2015. Compared to 2Q15, the movement was primarily driven by lower net revenues relating to the legacy investment banking portfolio and lower revenues relating to the restructuring of select onshore businesses.

### Provision for credit losses

In 2Q16, there was a release of the provision for credit losses of CHF 37 million compared to a provision for credit losses of CHF 115 million in 1Q16 and CHF 12 million in 2Q15. The improvement as compared to 1Q16 and 2Q15 was primarily related to the release of provisions for legacy corporate loans.

### Total operating expenses

Total operating expenses of CHF 433 million decreased CHF 164 million compared to 1Q16, reflecting lower restructuring expenses and lower general and administrative expenses, in spite of higher litigation expenses. Compared to 2Q15, total operating expenses decreased CHF 215 million, primarily driven by lower compensation and benefits due to the transfer of our US private banking business. Total operating expenses in 2Q16 included costs of CHF 59 million to meet requirements related to the settlements with US authorities regarding US cross-border matters.

# Corporate Center

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

## RESULTS SUMMARY

In 2Q16, Corporate Center recorded losses before taxes of CHF 235 million compared to a gain before taxes of CHF 33 million in 1Q16 and CHF 263 million in 2Q15. We early adopted certain sections of ASU 2016-01 which require that changes in fair value relating to the instrument-specific credit risk of fair value option-elected financial liabilities be presented separately in accumulated other comprehensive income. Therefore, fair value gains or losses from movements in own credit spreads are no longer recorded in the Corporate Center beginning in 1Q16. Other revenues primarily reflected required elimination adjustments associated with trading in own shares. Compensation and benefits mainly reflect fair value adjustments on certain deferred compensation plans not allocated to the segments. General and administrative expenses primarily reflected costs associated with the evolution of our legal entity structure to meet developing and future regulatory requirements.

## Corporate Center results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Treasury results | (136) | (17) | 97 | – | – | (153) | 110 | – |
| Fair value gains/(losses) from movements in own credit spreads | 0 | 0 | 228 | – | (100) | 0 | 372 | (100) |
| Other | 41 | 127 | 59 | (68) | (31) | 168 | 75 | 124 |
| **Net revenues** | **(95)** | **110** | **384** | – | – | **15** | **557** | (97) |
| **Provision for credit losses** | **(2)** | **1** | **0** | – | – | **(1)** | **0** | – |
| Compensation and benefits | 37 | (67) | 23 | – | 61 | (30) | 141 | – |
| General and administrative expenses | 101 | 108 | 97 | (6) | 4 | 209 | 202 | 3 |
| Commission expenses | 4 | 35 | 1 | (89) | 300 | 39 | 2 | – |
| Total other operating expenses | 105 | 143 | 98 | (27) | 7 | 248 | 204 | 22 |
| **Total operating expenses** | **142** | **76** | **121** | 87 | 17 | **218** | **345** | (37) |
| **Income/(loss) before taxes** | **(235)** | **33** | **263** | – | – | **(202)** | **212** | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 54,407 | 51,487 | 66,179 | 6 | (18) | 54,407 | 66,179 | (18) |
| Risk-weighted assets [1] | 17,850 | 17,455 | 15,061 | 2 | 19 | 17,850 | 15,061 | 19 |
| Leverage exposure [1] | 51,743 | 48,374 | 62,228 | 7 | (17) | 51,743 | 62,228 | (17) |
| **Expense allocation to divisions (CHF million)** | | | | | | | | |
| Compensation and benefits | 709 | 644 | 683 | 10 | 4 | 1,353 | 1,457 | (7) |
| General and administrative expenses | 859 | 955 | 897 | (10) | (4) | 1,814 | 1,771 | 2 |
| Commission expenses | 4 | 35 | 2 | (89) | 100 | 39 | 3 | – |
| Restructuring expenses | 33 | 82 | – | (60) | – | 115 | – | – |
| Total other operating expenses | 896 | 1,072 | 899 | (16) | 0 | 1,968 | 1,774 | 11 |
| **Total operating expenses before allocation to divisions** | **1,605** | **1,716** | **1,582** | (6) | 1 | **3,321** | **3,231** | 3 |
| Net allocation to divisions | 1,463 | 1,640 | 1,461 | (11) | 0 | 3,103 | 2,886 | 8 |
| of which Swiss Universal Bank | 303 | 363 | 341 | (17) | (11) | 666 | 681 | (2) |
| of which International Wealth Management | 244 | 280 | 248 | (13) | (2) | 524 | 496 | 6 |
| of which Asia Pacific | 200 | 196 | 185 | 2 | 8 | 396 | 361 | 10 |
| of which Global Markets | 488 | 550 | 450 | (11) | 8 | 1,038 | 873 | 19 |
| of which Investment Banking & Capital Markets | 74 | 80 | 64 | (8) | 16 | 154 | 127 | 21 |
| of which Strategic Resolution Unit | 154 | 171 | 173 | (10) | (11) | 325 | 348 | (7) |
| **Total operating expenses** | **142** | **76** | **121** | 87 | 17 | **218** | **345** | (37) |

[1] Disclosed on a look-through basis.

# Assets under management

As of the end of 2Q16, assets under management were CHF 1,218.4 billion, 3.2% higher compared to the end of 1Q16, primarily due to favorable market and foreign exchange-related movements and net new assets of CHF 12.1 billion.

**Assets under management**

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

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

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

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

**Net new assets**

Net new assets include individual cash payments, delivery of securities and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management.

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

## Assets under management and client assets

| | | | end of | % change |
|---|---|---|---|---|
| | **2Q16** | 1Q16 | 4Q15 | QoQ |
| **Assets under management (CHF billion)** | | | | |
| Swiss Universal Bank – Private Banking | 241.4 | 236.1 | 241.0 | 2.2 |
| Swiss Universal Bank – Corporate & Institutional Banking | 280.9 | 273.6 | 275.8 | 2.7 |
| International Wealth Management – Private Banking | 298.6 | 287.0 | 289.6 | 4.0 |
| International Wealth Management – Asset Management | 314.9 | 301.3 | 321.3 | 4.5 |
| Asia Pacific – Private Banking | 158.3 | 149.6 | 150.4 | 5.8 |
| Strategic Resolution Unit | 19.8 | 24.6 | 27.3 | (19.5) |
| Assets managed across businesses [1] | (95.5) | (91.4) | (91.3) | 4.5 |
| **Assets under management** | **1,218.4** | **1,180.8** | **1,214.1** | **3.2** |
| of which discretionary assets | 398.8 | 385.5 | 410.1 | 3.5 |
| of which advisory assets | 819.6 | 795.3 | 804.0 | 3.1 |
| **Client assets (CHF billion) [2]** | | | | |
| Swiss Universal Bank – Private Banking | 266.1 | 259.5 | 266.2 | 2.5 |
| Swiss Universal Bank – Corporate & Institutional Banking | 376.4 | 372.3 | 377.1 | 1.1 |
| International Wealth Management – Private Banking | 404.5 | 393.4 | 400.0 | 2.8 |
| International Wealth Management – Asset Management | 314.9 | 301.3 | 321.3 | 4.5 |
| Asia Pacific – Private Banking | 180.3 | 168.7 | 169.8 | 6.9 |
| Strategic Resolution Unit | 30.9 | 61.2 | 110.4 | (49.5) |
| Assets managed across businesses [1] | (95.5) | (91.4) | (91.3) | 4.5 |
| **Client Assets [2]** | **1,477.6** | **1,465.0** | **1,553.5** | **0.9** |

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

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

## Growth in assets under management

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Growth in assets under management (CHF billion)** | | | | | |
| **Net new assets** | **12.1** | **10.5** | **13.7** | **22.6** | **28.6** |
| of which Swiss Universal Bank – Private Banking | 0.9 | 0.7 | 1.5 | 1.6 | 3.0 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 0.7 | 2.3 | (1.6) | 3.0 | 4.5 |
| of which International Wealth Management – Private Banking | 5.4 | 5.4 | 0.2 | 10.8 | (0.5) |
| of which International Wealth Management – Asset Management [1] | 3.5 | 1.5 | 8.1 | 5.0 | 17.3 |
| of which Asia Pacific – Private Banking | 5.0 | 4.3 | 6.6 | 9.3 | 11.1 |
| of which Strategic Resolution Unit | (2.1) | (1.6) | (0.8) | (3.7) | (2.6) |
| of which assets managed across businesses [2] | (1.3) | (2.1) | (0.3) | (3.4) | (4.2) |
| **Other effects** | **25.5** | **(43.8)** | **(32.0)** | **(18.3)** | **(49.7)** |
| of which Swiss Universal Bank – Private Banking | 4.4 | (5.6) | (4.4) | (1.2) | (8.0) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 6.6 | (4.5) | (7.3) | 2.1 | (2.6) |
| of which International Wealth Management – Private Banking | 6.2 | (8.0) | (7.3) | (1.8) | (19.9) |
| of which International Wealth Management – Asset Management | 10.1 | (21.5) | (4.9) | (11.4) | (9.4) |
| of which Asia Pacific – Private Banking | 3.7 | (5.1) | (5.3) | (1.4) | (5.7) |
| of which Strategic Resolution Unit | (2.7) | (1.1) | (3.8) | (3.8) | (5.0) |
| of which assets managed across businesses [2] | (2.8) | 2.0 | 1.0 | (0.8) | 0.9 |
| **Growth in assets under management** | **37.6** | **(33.3)** | **(18.3)** | **4.3** | **(21.1)** |
| of which Swiss Universal Bank – Private Banking | 5.3 | (4.9) | (2.9) | 0.4 | (5.0) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 7.3 | (2.2) | (8.9) | 5.1 | 1.9 |
| of which International Wealth Management – Private Banking | 11.6 | (2.6) | (7.1) | 9.0 | (20.4) |
| of which International Wealth Management – Asset Management [1] | 13.6 | (20.0) | 3.2 | (6.4) | 7.9 |
| of which Asia Pacific – Private Banking | 8.7 | (0.8) | 1.3 | 7.9 | 5.4 |
| of which Strategic Resolution Unit | (4.8) | (2.7) | (4.6) | (7.5) | (7.6) |
| of which assets managed across businesses [2] | (4.1) | (0.1) | 0.7 | (4.2) | (3.3) |
| **Growth in assets under management (annualized) (%)** | | | | | |
| **Net new assets** | **4.1** | **3.5** | **4.0** | **3.7** | **4.2** |
| of which Swiss Universal Bank – Private Banking | 1.5 | 1.1 | 2.3 | 1.3 | 2.3 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 1.1 | 3.3 | (2.2) | 2.2 | 3.3 |
| of which International Wealth Management – Private Banking | 7.5 | 7.5 | 0.3 | 7.4 | (0.3) |
| of which International Wealth Management – Asset Management [1] | 4.6 | 1.9 | 10.4 | 3.0 | 11.3 |
| of which Asia Pacific – Private Banking | 13.4 | 11.4 | 17.1 | 12.4 | 14.8 |
| of which Strategic Resolution Unit | (34.1) | (22.7) | (2.3) | (27.1) | (3.6) |
| of which assets managed across businesses [2] | 5.7 | 9.2 | 1.3 | 7.4 | 9.4 |
| **Other effects** | **8.6** | **(14.5)** | **(9.4)** | **(3.0)** | **(7.3)** |
| of which Swiss Universal Bank – Private Banking | 7.5 | (9.2) | (6.8) | (1.0) | (6.2) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 9.6 | (6.5) | (10.2) | 1.5 | (1.9) |
| of which International Wealth Management – Private Banking | 8.6 | (11.1) | (9.4) | (1.2) | (12.3) |
| of which International Wealth Management – Asset Management | 13.4 | (26.8) | (6.3) | (7.0) | (6.2) |
| of which Asia Pacific – Private Banking | 9.9 | (13.5) | (13.7) | (1.8) | (7.6) |
| of which Strategic Resolution Unit | (43.9) | (16.6) | (10.8) | (27.8) | (7.0) |
| of which assets managed across businesses [2] | 12.2 | (8.8) | (4.3) | 1.8 | (2.0) |
| **Growth in assets under management** | **12.7** | **(11.0)** | **(5.4)** | **0.7** | **(3.1)** |
| of which Swiss Universal Bank – Private Banking | 9.0 | (8.1) | (4.5) | 0.3 | (3.9) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 10.7 | (3.2) | (12.4) | 3.7 | 1.4 |
| of which International Wealth Management – Private Banking | 16.1 | (3.6) | (9.1) | 6.2 | (12.6) |
| of which International Wealth Management – Asset Management [1] | 18.0 | (24.9) | 4.1 | (4.0) | 5.1 |
| of which Asia Pacific – Private Banking | 23.3 | (2.1) | 3.4 | 10.6 | 7.2 |
| of which Strategic Resolution Unit | (78.0) | (39.3) | (13.1) | (54.9) | (10.6) |
| of which assets managed across businesses [2] | 17.9 | 0.4 | (3.0) | 9.2 | 7.4 |

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

## Growth in assets under management (continued)

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Growth in net new assets (rolling four-quarter average) (%)** | | | | | |
| **Net new assets from continuing operations** | **3.0** | **3.1** | **2.5** | – | – |
| Net new assets from discontinued operations | 0.0 | 0.0 | (4.0) | – | – |
| **Net new assets** | **3.0** | **3.1** | **2.5** | – | – |
| of which Swiss Universal Bank – Private Banking | 0.7 | 0.9 | 0.5 | – | – |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 3.3 | 2.4 | 3.4 | – | – |
| of which International Wealth Management – Private Banking | 2.7 | 1.0 | 1.1 | – | – |
| of which International Wealth Management – Asset Management [1] | 4.5 | 6.1 | 4.1 | – | – |
| of which Asia Pacific – Private Banking | 10.3 | 11.4 | 13.9 | – | – |
| of which Strategic Resolution Unit | (3.7) | (2.6) | (4.6) | – | – |
| of which assets managed across businesses [2] | 3.6 | 2.4 | 5.2 | – | – |

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

### 2Q16 results

As of the end of 2Q16, assets under management of CHF 1,218.4 billion increased CHF 37.6 billion compared to the end of 1Q16, primarily due to favorable market and foreign exchange-related movements and net new assets of CHF 12.1 billion.

Swiss Universal Bank – Private Banking reported assets under management of CHF 241.4 billion as of the end of 2Q16, an increase of CHF 5.3 billion compared to the end of 1Q16, driven by favorable market movements and net new assets of CHF 0.9 billion.

Swiss Universal Bank – Corporate & Institutional Banking reported assets under management of CHF 280.9 billion as of the end of 2Q16, an increase of CHF 7.3 billion compared to the end of 1Q16, driven by favorable market and foreign exchange-related movements and net new assets of CHF 0.7 billion.

International Wealth Management – Private Banking reported assets under management of CHF 298.6 billion as of the end of 2Q16, an increase of CHF 11.6 billion compared to the end of 1Q16, reflecting net new assets of CHF 5.4 billion and favorable market and foreign exchange-related movements. The net new assets reflected solid inflows from emerging markets and Europe.

International Wealth Management – Asset Management reported assets under management of CHF 314.9 billion as of the end of 2Q16, an increase of CHF 13.6 billion compared to the end of 1Q16, reflecting favorable market movements, net new assets of CHF 3.5 billion and favorable foreign exchange-related movements. Net new assets reflected inflows from an emerging market joint venture and from a new product launch, partially offset by an outflow from a single mandate.

Asia Pacific – Private Banking reported assets under management of CHF 158.3 billion as of the end of 2Q16, an increase of CHF 8.7 billion compared to the end of 1Q16, mainly reflecting net new assets of CHF 5.0 billion and favorable foreign exchange-related and market movements. Net new assets reflected inflows primarily from the South East Asia, Australia, and Greater China.

The Strategic Resolution Unit reported CHF 19.8 billion of assets under management as of the end of 2Q16, a decrease of CHF 4.8 billion compared to the end of 1Q16, primarily reflecting unfavorable market movements and net asset outflows of CHF 2.1 billion, due to the wind-down of operations.

▸ Refer to “Swiss Universal Bank”, “International Wealth Management”, “Asia Pacific” and “Strategic Resolution Unit” in I – Credit Suisse results for further information.

▸ Refer to “Note 38 – Assets under management” in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

II

# Treasury, risk, balance sheet and off-balance sheet


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# Liquidity and funding management

In 2Q16, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

## OVERVIEW

Securities for funding and capital purposes have historically been issued primarily by the Bank, our principal operating subsidiary and a US registrant. In response to regulatory reform, we have started pursuing a dual track issuance strategy with securities offered at the Group level. Proceeds from issuances are lent to operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements and the former as desired by management to support business initiatives and liquidity needs.

Our internal liquidity risk management framework is subject to review and monitoring by FINMA, other regulators and rating agencies.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on liquidity and funding management.

## REGULATORY FRAMEWORK

### Basel III liquidity framework

In 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our interpretation of such requirements, including relevant assumptions and estimates. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown in this report.

The LCR, which is being phased in from January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have unencumbered high-quality liquid assets (HQLA) available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of HQLA in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% per year until January 1, 2019.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's on- and off-balance sheet activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and, once in effect, should always be at least 100%. Following an observation period which began in 2012, the NSFR will become a minimum standard on January 1, 2018, at which time banks will be required to comply with disclosure requirements prescribed by the BCBS and implemented by national regulators.

### Swiss liquidity requirements

In 2012, the Swiss Federal Council adopted a liquidity ordinance (Liquidity Ordinance) that implements Basel III liquidity requirements into Swiss law subject, in part, to further rule-making, including the final Basel III LCR rules adopted in 2014. As a result, all Swiss banks became subject to an initial 60% LCR requirement, with incremental increases by 10% per year until January 1, 2019. Systemically relevant banks like Credit Suisse became subject to an initial minimum LCR requirement of 100% beginning on January 1, 2015. Further, beginning in May 2015, FINMA required us to maintain a minimum LCR of 110% at all times.

Our liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on the Basel III liquidity framework and Swiss liquidity requirements.

## LIQUIDITY RISK MANAGEMENT FRAMEWORK

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we expect to have sufficient liquidity to sustain operations for a period of time in excess of our minimum limit. This includes potential currency mismatches, which are not deemed to be a major risk but are monitored and subject to limits, particularly in the significant currencies of euro, Japanese yen, pound sterling, Swiss franc and US dollar.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on our approach to liquidity risk management, governance and contingency planning.

## LIQUIDITY METRICS

### Liquidity pool

Treasury manages a sizeable portfolio of liquid assets, comprised of HQLA as defined by FINMA. A portion of the liquidity pool is generated through reverse repurchase agreements with top-rated counterparties. We are mindful of potential credit risk and therefore focus our liquidity holdings strategy on cash held at central banks, highly rated government bonds and short-term reverse repurchase agreements. These government bonds are eligible as collateral for liquidity facilities with various central banks including the SNB, the Fed, the ECB and the Bank of England. Our direct exposure on these bonds is limited to highly liquid, top-rated sovereign entities or fully guaranteed agencies of sovereign entities. The liquidity pool may be used to meet the liquidity requirements of our operating companies.

For the purpose of the LCR disclosure as of the end of 2Q16, our liquidity pool managed by Treasury had an HQLA value of CHF 195.3 billion. The liquidity pool consisted of CHF 123.6 billion of cash held at major central banks, primarily the SNB, the Fed and the ECB, and CHF 71.7 billion market value of securities issued by governments and government agencies, primarily from the US, UK, France and Germany. In addition to the liquidity portfolio managed by Treasury, there is also a portfolio of unencumbered liquid assets managed by various businesses, primarily in the Global Markets and Investment Banking & Capital Markets divisions. These assets generally include high-grade bonds and highly liquid equity securities that form part of major indices. In coordination with the businesses, Treasury can access these assets to generate liquidity if required. As of the end of 2Q16, the portfolio that is not managed by Treasury had a market value of CHF 29.7 billion, consisting of CHF 4.7 billion of high-grade bonds and CHF 25.0 billion of highly liquid equity securities. Under our internal model, an average stress-level haircut of 20% is applied to these assets. The haircuts applied to these portfolios reflect our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities.

### Liquidity coverage ratio – Group

| End of | | | | | | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|---|---|---|---|---|
| | Swiss franc | US dollar | Euro | Other currencies | Unweighted value [1] | **Weighted value [2]** | Weighted value [2] | Weighted value [2] |
| **High-Quality Liquid Assets (CHF million)** | | | | | | | | |
| Cash held at central banks | 55,406 | 48,194 | 17,602 | 2,397 | – | 123,599 | 101,652 | 86,740 |
| Securities | 1,705 | 50,457 | 1,201 | 18,381 | – | 71,744 | 83,546 | 88,566 |
| **High-quality liquid assets [3]** | **57,111** | **98,651** | **18,803** | **20,778** | **–** | **195,343** | **185,198** | **175,306** |
| **Cash outflows (CHF million)** | | | | | | | | |
| Retail deposits and deposits from small business customers | | | | | 152,196 | 19,011 | 19,252 | 19,362 |
| Unsecured wholesale funding | | | | | 200,366 | 81,391 | 81,833 | 86,619 |
| Secured wholesale funding | | | | | – | 70,464 | 77,893 | 86,778 |
| Additional requirements | | | | | 200,851 | 48,627 | 53,859 | 60,988 |
| Other contractual funding obligations | | | | | 68,484 | 68,484 | 64,947 | 49,946 |
| Other contingent funding obligations | | | | | 261,391 | 3,653 | 2,681 | 3,313 |
| **Total cash outflows** | | | | | **–** | **291,630** | **300,465** | **307,006** |
| **Cash inflows (CHF million)** | | | | | | | | |
| Secured lending | | | | | 128,213 | 76,838 | 81,187 | 95,418 |
| Inflows from fully performing exposures | | | | | 55,634 | 30,827 | 29,908 | 31,104 |
| Other cash inflows | | | | | 70,642 | 70,642 | 66,886 | 52,011 |
| **Total cash inflows** | | | | | **–** | **178,307** | **177,981** | **178,533** |
| **Liquidity coverage ratio** | | | | | | | | |
| High-quality liquid assets (CHF million) | | | | | | 195,343 | 185,198 | 175,306 |
| Net cash outflows (CHF million) | | | | | | 113,323 | 122,484 | 128,473 |
| **Liquidity coverage ratio (%)** | | | | | | **172** | **151** | **136** |

Calculated using a three-month average.

[1] Calculated as outstanding balances maturing or callable within 30 days.

[2] Calculated after the application of haircuts for high-quality liquid assets or inflow and outflow rates.

[3] Consists of cash and eligible securities as prescribed by FINMA.

### Liquidity Coverage Ratio

For disclosure purposes our LCR is calculated using a three-month average. As of the end of 2Q16, our LCR average was 172%, representing HQLA of CHF 195.3 billion and net cash outflows of CHF 113.3 billion.

The increase in the LCR compared to 1Q16 was driven by the increase in HQLA, primarily from higher deposits at central banks and reduced net cash outflows. This continues the strengthening of the ratio since 1Q15 and reflects our efforts to ensure that Group entities meet applicable local liquidity requirements.

The decrease in net cash outflows mainly reflected lower secured wholesale funding and reductions in additional requirements related to credit and liquidity facilities. Unsecured wholesale funding remained steady, with a reduction in non-operational deposits that offset an increase in unsecured debt.

The decrease in secured wholesale funding also reflected lower secured lending activity, primarily related to reductions in non-HQLA transactions. The reduction in the credit and liquidity facility outflows reflected lower credit commitment balances for purposes of the LCR calculation across all counterparty types.

Cash outflows from other contractual funding obligations and other cash inflows both increased, primarily reflecting balances related to open and failed trades. However, the net impact was minimal due to the symmetrical treatment of these trades across outflows and inflows.

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

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

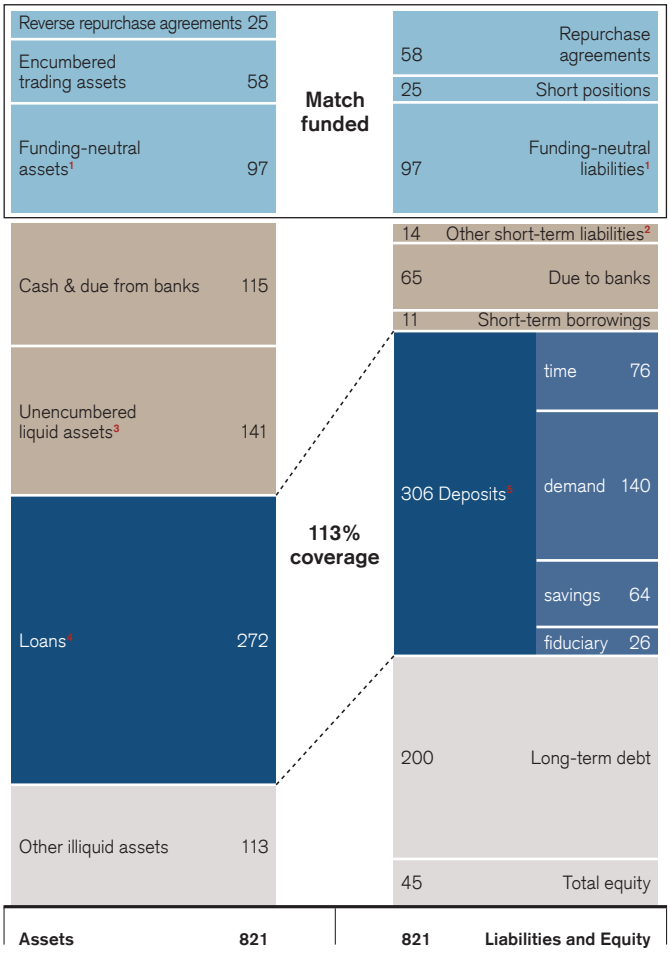
## FUNDING SOURCES AND USES

We fund our balance sheet primarily through core customer deposits, long-term debt, including structured notes, and shareholders' equity. We monitor the funding sources, including their concentrations against certain limits, according to their counterparty, currency, tenor, geography and maturity, and whether they are secured or unsecured.

A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

### Balance sheet funding structure

as of June 30, 2016 (CHF billion)




[1] Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.
[2] Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.
[3] Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.
[4] Excludes loans with banks.
[5] Excludes due to banks and certificates of deposit.

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

Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 13% as of the end of 2Q16, compared to 11% as of the end of 1Q16, primarily reflecting a small increase in deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as the haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

Our core customer deposits totaled CHF 306 billion as of the end of 2Q16, compared to CHF 299 billion as of the end of 1Q16, reflecting a small increase in the customer deposit base in private banking and corporate & institutional banking businesses. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proven to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

▸ Refer to the chart "Balance sheet funding structure" and "Balance sheet" in Balance sheet, off-balance sheet and other contractual obligations for further information.

## DEBT ISSUANCES AND REDEMPTIONS

Our long-term debt includes senior and subordinated debt issued in US-registered offerings and medium-term note programs, euro market medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds.

The following table provides information on long-term debt issuances, maturities and redemptions in 2Q16, excluding structured notes.

### Debt issuances and redemptions

| in 2Q16 | Senior | Senior bail-in | Subordinated | **Long-term debt** |
|---|---|---|---|---|
| **Long-term debt (CHF billion, notional value)** | | | | |
| **Issuances** | **5.9** | 6.3 | 0 | **12.2** |
| of which unsecured | 5.5 | 6.3 | 0 | 11.8 |
| of which secured [1] | 0.4 | 0 | 0 | 0.4 |
| **Maturities / Redemptions** | **1.4** | 0 | 0 | **1.4** |
| of which unsecured | 0.1 | 0 | 0 | 0.1 |
| of which secured [1] | 1.3 | 0 | 0 | 1.3 |

Excludes structured notes.
[1] Includes covered bonds.

As of the end of 2Q16, we had outstanding long-term debt of CHF 200.2 billion, which included senior and subordinated instruments. We had CHF 60.4 billion and CHF 18.7 billion of structured notes and covered bonds outstanding, respectively, as of the end of 2Q16 compared to CHF 55.0 billion and CHF 19.7 billion, respectively, as of the end of 1Q16.

▸ Refer to "Capital issuances and redemptions" in Capital management for information on capital issuances, including buffer and progressive capital notes.

As of the end of 2Q16, the weighted average maturity of long-term debt was 5.8 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity, or in 2030 for instruments without a stated final maturity).

Short-term borrowings decreased to CHF 11.2 billion as of the end of 2Q16 compared to CHF 14.8 billion as of the end of 1Q16.

## CREDIT RATINGS

In May 2016, Fitch Ratings downgraded the long-term rating of Credit Suisse Group AG by one notch and affirmed Credit Suisse AG's long-term rating while revising its outlook from positive to stable. The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 0.9 billion, CHF 2.9 billion and CHF 3.5 billion, respectively, as of the end of 2Q16, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller.

Potential cash outflows on these derivative contracts associated with a downgrade of our long-term debt credit ratings, such as the requirement to post additional collateral to the counterparty, the loss of re-hypothecation rights on any collateral received and impacts arising from additional termination events are monitored and taken into account in the calculation of our liquidity requirements. There are additional derivative related risks that do not relate to the downgrade of our long term debt credit ratings and which may impact our liquidity position, including risks relating to holdings of derivatives collateral or potential movements in the valuation of derivatives positions. The potential outflows resulting across all derivate product types are monitored as part of the LCR scenario parameters and internal liquidity reporting.

▸ Refer to "Credit ratings" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information.

# Capital management

As of the end of 2Q16, our CET1 ratio was 14.2% under Basel III and 11.8% on a look-through basis. Our risk-weighted assets were CHF 275.1 billion and our tier 1 capital was CHF 49.8 billion. Our BIS tier 1 leverage ratio was 5.1% and 4.4% on a look-through basis.

## REGULATORY CAPITAL FRAMEWORK

### Overview

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

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

▸ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information.

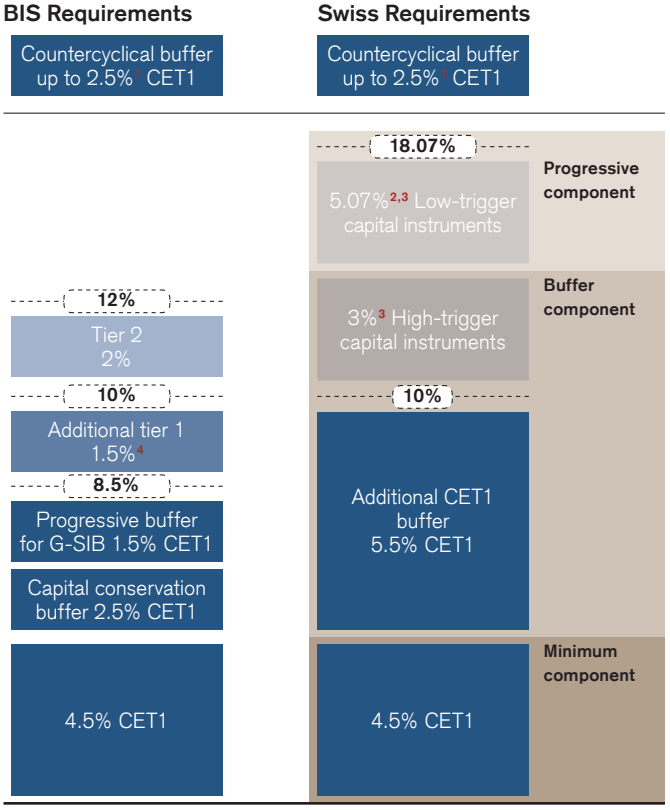
### BIS requirements

The BCBS, the standard setting committee within the BIS, issued the Basel III framework, with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector and requires banks to hold more capital, mainly in the form of common equity. The new capital standards are being phased in from 2013 through 2018 and are fully effective January 1, 2019 for those countries that have adopted Basel III.

▸ Refer to the table "Basel III phase-in requirements for Credit Suisse" for capital requirements and applicable effective dates during the phase-in period.

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

### Basel III capital frameworks for Credit Suisse




[1] As of June 30, 2014, banks must hold, pursuant to both BIS and FINMA requirements, CET1 capital in the amount of 2% of RWA pertaining to mortgage loans that finance residential property in Switzerland.

[2] The progressive component requirement is dependent on our size (leverage exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA.

[3] Counts towards Basel III minimum requirements as tier 1 or tier 2 capital depending on the quality of the underlying instruments.

[4] Additional tier 1 instruments must provide for principal loss absorption through a conversion into common equity or write-down feature. The trigger for such a conversion or write-down must include a CET1 ratio of at least 5.125%.

## Basel III phase-in requirements for Credit Suisse

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

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

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

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

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

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

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

### Swiss Requirements

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

▸ Refer to "Swiss Requirements" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Regulatory capital framework in the Credit Suisse Annual Report 2015 for further information.

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

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

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

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

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

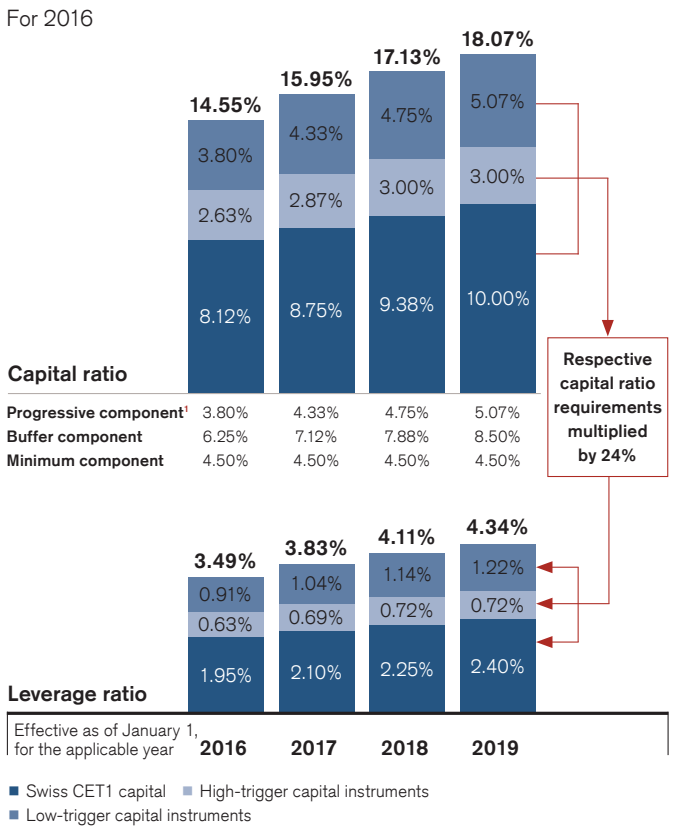
In 2013, FINMA introduced increased capital charges for mortgages that finance owner occupied residential property in Switzerland (mortgage multiplier) to be phased in through January 1, 2019. The mortgage multiplier applies for purposes of both BIS and FINMA requirements.

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

▸ Refer to "Regulatory developments and proposals" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2015 for further information on the FINMA Decree.

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

## Swiss capital and leverage ratio phase-in requirements for Credit Suisse




Excludes the countercyclical buffer that was required as of September 30, 2013.

### Risk measurement models

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

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period. In 2Q16, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

▸ Refer to "Market risk review" in Risk management for further information.

▸ Refer to "Risk measurement models" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Regulatory capital framework in the Credit Suisse Annual Report 2015 for further information.

## REGULATORY DEVELOPMENTS AND PROPOSALS

In May 2016, the Swiss Federal Council amended the Capital Adequacy Ordinance (CAO) applicable to Swiss banks. The amendment recalibrates and expands the existing "Too Big to Fail" regime in Switzerland. Under the amended regime, systemically important banks operating internationally, such as Credit Suisse, will be subject to two different minimum requirements for loss-absorbing capacity: G-SIBs must hold sufficient capital that absorbs current operating losses to ensure continuity of service (going concern requirement) and they must issue sufficient debt instruments to fund restructuring without recourse to public resources (gone concern requirement). The going concern and the gone concern capital requirements are consistent with the FSB's total loss-absorbing capacity (TLAC) standard. The amended CAO came into effect on July 1, 2016, subject to phase-in and grandfathering provisions for certain outstanding instruments, and has to be fully applied by January 1, 2020.

### Going concern capital requirement

The going concern capital requirement applicable in 2020 for a G-SIB consists of (i) a base requirement of 12.86% of RWA and a 4.5% Swiss leverage ratio; and (ii) a surcharge, which reflects the G-SIB's systemic importance and is subject to potential capital rebates that may be granted by FINMA. For Credit Suisse, this currently translates into a going concern capital requirement of 14.3% of RWA, of which the minimum CET1 component is 10%, with the remainder to be met with a maximum of 4.3% of high-trigger tier 1 capital instruments that would be converted into common equity or written down if the CET1 ratio falls below 7%. Under the going concern requirement, the Swiss leverage ratio must be 5%, of which the minimum CET1 component is 3.5%, with the remainder to be met with a maximum of 1.5% of high-trigger tier 1 capital instruments.

Additionally, Swiss banks with a certain size and a certain exposure outside of Switzerland, such as Credit Suisse, may be obliged to maintain a supplementary countercyclical buffer of up to 2.5% of RWA.

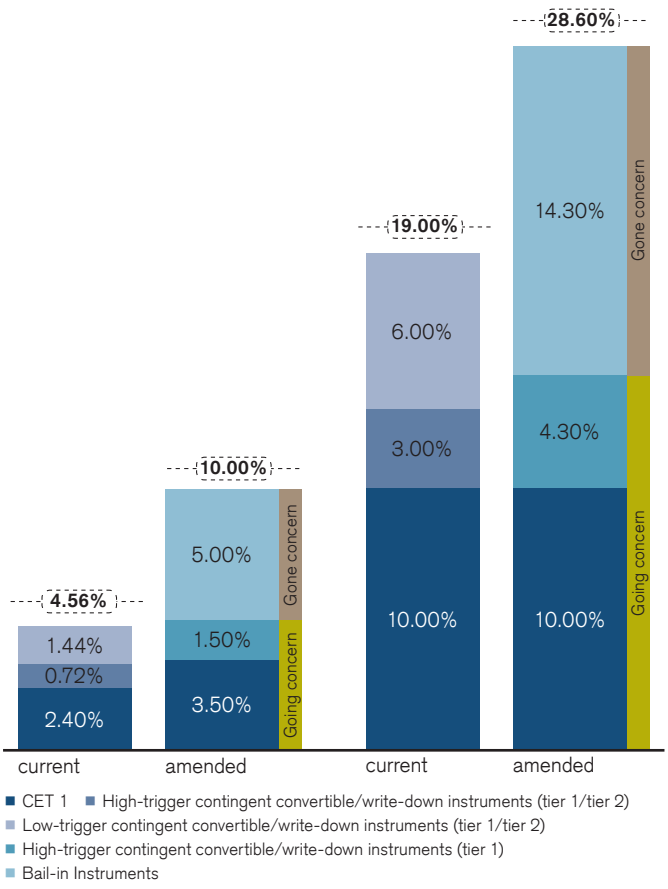
### Gone concern capital requirement

The gone concern requirement of a G-SIB is equal to its total going concern capital requirement, that is in 2020, a minimum of 12.86% of RWA and a minimum 4.5% Swiss leverage ratio, plus any surcharges applicable to the relevant G-SIB, but not including any countercyclical buffers. Credit Suisse is currently subject to a gone concern requirement of 14.3% of RWA and a 5% Swiss leverage ratio.

The gone concern requirement should primarily be fulfilled with bail-in debt instruments that are designed to absorb losses after the write down or conversion of regulatory capital of a G-SIB in a restructuring scenario, but before the write down or conversion of other senior obligations of the G-SIB. Bail-in debt instruments do not feature capital triggers that may lead to a write-down and/or a conversion into equity outside of restructuring, but only begin to bear losses once the G-SIB is formally in restructuring and FINMA orders capital measures (i.e., a write-down and/or a conversion into equity) in the restructuring plan.

According to the amended CAO, bail-in debt instruments must fulfill certain criteria in order to qualify under the gone concern requirement, including FINMA approval. In addition to bail-in debt instruments, the gone concern requirement may further be fulfilled with other capital instruments, including CET1, additional tier 1 capital instruments or tier 2 capital instruments.

### Amended "Too Big to Fail" requirements for Swiss G-SIBs




#### Grandfathering provisions

The CAO provides for a number of grandfathering provisions with regard to the qualification of previously issued additional tier 1 capital instruments and tier 2 capital instruments:

- Tier 2 capital instruments with a high trigger qualify as going concern capital until the earlier of (i) their maturity date or first call date; and (ii) December 31, 2019. Tier 2 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify as gone concern capital until one year before their final maturity;
- Additional tier 1 capital instruments with a low trigger qualify as going concern capital until their first call date. Additional tier 1 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify for the gone concern capital; and
- Tier 2 capital instruments with a low trigger qualify as going concern capital until the earlier of (i) their maturity date or first call date; and (ii) December 31, 2019. Tier 2 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify as gone concern capital until one year before their final maturity.

Furthermore, to be eligible as gone concern capital, outstanding bail-in debt instruments issued before July 1, 2016 and bail-in debt instruments to be issued by a (Swiss or foreign) special purpose vehicle before January 1, 2017 must be approved by FINMA.

Both the going concern and the gone concern requirements are subject to a phase-in with gradually increasing requirements and have to be fully applied by January 1, 2020.

#### Interest rate risk in the banking book

In April 2016, the BCBS published revised standards for the measurement of interest rate risk in the banking book (IRRBB). The revised IRRBB framework continues to outline a Pillar 2 supervisory review approach under the Basel framework but provides more guidance on the banks' management process and requires additional disclosures as of year-end 2017.

## ISSUANCES AND REDEMPTIONS

#### Share issuances

In 2Q16, the Group issued 133 million common shares in the amount of CHF 1,667 million in connection with a scrip dividend, deferred share-based compensation and earn-out payments relating to the acquisition of our interest in York Capital Management (York).

#### Capital redemptions

There were no capital redemptions in 2Q16.

#### Higher Trigger Capital Amount

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

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5.125%, the Higher Trigger Capital Amount was CHF 8.4 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all RWA of the Group) was 3.1%, both as of the end of 2Q16.

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5%, the Higher Trigger Capital Amount was CHF 13.6 billion and the Higher Trigger Capital Ratio was 4.9%, both as of the end of 2Q16.

▸ Refer to the table "BIS capital metrics – Group" for further information on the BIS statistics used to calculate such measures.

▸ Refer to "Higher Trigger Capital Amount" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Capital issuances and redemptions in the Credit Suisse Annual Report 2015 for further information on the Higher Trigger Capital Amount.

## BIS capital metrics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q16** | 1Q16 | 4Q15 | % change QoQ | **2Q16** | 1Q16 | 4Q15 | % change QoQ |
| **Capital and risk-weighted assets (CHF million)** | | | | | | | | |
| CET1 capital | 38,933 | 38,682 | 42,072 | 1 | 32,048 | 31,840 | 32,938 | 1 |
| Tier 1 capital | 49,780 | 49,221 | 53,063 | 1 | 43,005 | 42,536 | 44,601 | 1 |
| Total eligible capital | 58,850 | 58,168 | 62,682 | 1 | 49,921 | 49,345 | 51,425 | 1 |
| Risk-weighted assets | 275,056 | 283,937 | 294,950 | (3) | 271,455 | 280,382 | 289,946 | (3) |
| **Capital ratios (%)** | | | | | | | | |
| CET1 ratio | 14.2 | 13.6 | 14.3 | – | 11.8 | 11.4 | 11.4 | – |
| Tier 1 ratio | 18.1 | 17.3 | 18.0 | – | 15.8 | 15.2 | 15.4 | – |
| Total capital ratio | 21.4 | 20.5 | 21.3 | – | 18.4 | 17.6 | 17.7 | – |

## Eligible capital – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q16** | 1Q16 | 4Q15 | % change QoQ | **2Q16** | 1Q16 | 4Q15 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | | | |
| **Total shareholders' equity** | **44,962** | **44,997** | **44,382** | 0 | **44,962** | **44,997** | **44,382** | 0 |
| Regulatory adjustments [1] | (223) | (591) | (459) | (62) | (223) | (591) | (459) | (62) |
| **Adjustments subject to phase-in** | | | | | | | | |
| Accounting treatment of defined benefit pension plans | 1,362 | 1,389 | 2,132 | (2) | – | – | – | – |
| Common share capital issued by subsidiaries and held by third parties | 73 | 62 | 89 | 18 | – | – | – | – |
| Goodwill [2] | (2,819) | (2,787) | (1,906) | 1 | (4,699) | (4,645) | (4,765) | 1 |
| Other intangible assets [2] | (39) | (41) | (28) | (5) | (65) | (68) | (71) | (4) |
| Deferred tax assets that rely on future profitability | (2,359) | (2,210) | (1,262) | 7 | (3,931) | (3,683) | (3,155) | 7 |
| Shortfall of provisions to expected losses | (310) | (278) | (234) | 12 | (517) | (463) | (584) | 12 |
| Gains/(losses) due to changes in own credit on fair-valued liabilities | (1,225) | (1,207) | (185) | 1 | (2,042) | (2,012) | (463) | 1 |
| Defined benefit pension assets [2] | (336) | (348) | (244) | (3) | (559) | (581) | (611) | (4) |
| Investments in own shares | (22) | (24) | (8) | (8) | (37) | (41) | (21) | (10) |
| Other adjustments [3] | (54) | (39) | (2) | 38 | (92) | (65) | (5) | 42 |
| Deferred tax assets from temporary differences (threshold-based) | (77) | (241) | (203) | (68) | (749) | (1,008) | (1,310) | (26) |
| **Adjustments subject to phase-in** | **(5,806)** [4] | **(5,724)** | **(1,851)** | 1 | **(12,691)** | **(12,566)** | **(10,985)** | 1 |
| **CET1 capital** | **38,933** | **38,682** | **42,072** | 1 | **32,048** | **31,840** | **32,938** | 1 |
| High-trigger capital instruments (7% trigger) | 5,768 | 5,679 | 6,562 | 2 | 5,768 | 5,679 | 6,562 | 2 |
| Low-trigger capital instruments (5.125% trigger) | 5,189 | 5,017 | 5,101 | 3 | 5,189 | 5,017 | 5,101 | 3 |
| **Additional tier 1 instruments** | **10,957** | **10,696** | **11,663** | 2 | **10,957** | **10,696** | **11,663** | 2 |
| Additional tier 1 instruments subject to phase-out [5] | 2,672 | 2,579 | 2,616 | 4 | – | – | – | – |
| Deductions from additional tier 1 capital | (2,782) [6] | (2,736) | (3,288) | 2 | – | – | – | – |
| **Additional tier 1 capital** | **10,847** | **10,539** | **10,991** | 3 | **10,957** | **10,696** | **11,663** | 2 |
| **Tier 1 capital** | **49,780** | **49,221** | **53,063** | 1 | **43,005** | **42,536** | **44,601** | 1 |
| High-trigger capital instruments (7% trigger) | 2,649 | 2,620 | 2,682 | 1 | 2,649 | 2,620 | 2,682 | 1 |
| Low-trigger capital instruments (5% trigger) | 4,267 | 4,189 | 4,142 | 2 | 4,267 | 4,189 | 4,142 | 2 |
| **Tier 2 instruments** | **6,916** | **6,809** | **6,824** | 2 | **6,916** | **6,809** | **6,824** | 2 |
| Tier 2 instruments subject to phase-out | 2,257 | 2,231 | 2,970 | 1 | – | – | – | – |
| Deductions from tier 2 capital | (103) | (93) | (175) | 11 | – | – | – | – |
| **Tier 2 capital** | **9,070** | **8,947** | **9,619** | 1 | **6,916** | **6,809** | **6,824** | 2 |
| **Total eligible capital** | **58,850** | **58,168** | **62,682** | 1 | **49,921** | **49,345** | **51,425** | 1 |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Net of deferred tax liability.
[3] Includes cash flow hedge reserve.
[4] Reflects 60% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 40% of an adjustment primarily for the accounting treatment of pension plans pursuant to phase-in requirements.
[5] Includes hybrid capital instruments that are subject to phase-out.
[6] Includes 40% of goodwill and other intangible assets (CHF 1.9 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.

## Capital movement – Group

| 2Q16 | Phase-in | Look-through |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **38,682** | **31,840** |
| Net income attributable to shareholders | 170 | 170 |
| Foreign exchange impact | 240 [1] | 184 |
| Other | (159) [2] | (146) |
| **Balance at end of period** | **38,933** | **32,048** |
| **Additional tier 1 capital (CHF million)** | | |
| **Balance at beginning of period** | **10,539** | **10,696** |
| Foreign exchange impact | 146 | 129 |
| Other | 162 | 132 |
| **Balance at end of period** | **10,847** | **10,957** |
| **Tier 2 capital (CHF million)** | | |
| **Balance at beginning of period** | **8,947** | **6,809** |
| Foreign exchange impact | 79 | 67 |
| Other | 44 | 40 |
| **Balance at end of period** | **9,070** | **6,916** |
| **Eligible capital (CHF million)** | | |
| **Balance at end of period** | **58,850** | **49,921** |

[1] Includes US GAAP cumulative translation adjustments and the foreign exchange impact on regulatory CET1 adjustments.
[2] Includes the net effect of share-based compensation and pensions, the impact of a dividend accrual, which includes the assumption that 60% of the proposed dividend is distributed in shares, the issuance of common shares, net of related fees and taxes, and a change in other regulatory adjustments (e.g., certain deferred tax assets).

## BIS CAPITAL METRICS

### Regulatory capital and ratios

Our CET1 ratio was 14.2% as of the end of 2Q16 compared to 13.6% as of the end of 1Q16, reflecting lower RWA and slightly higher CET1 capital. Our tier 1 ratio was 18.1% as of the end of 2Q16 compared to 17.3% as of the end of 1Q16. Our total capital ratio was 21.4% as of the end of 2Q16 compared to 20.5% as of the end of 1Q16.

CET1 capital was CHF 38.9 billion as of the end of 2Q16 compared to CHF 38.7 billion as of the end of 1Q16, mainly reflecting the issuance of common shares, a positive foreign exchange impact and net income attributable to shareholders, partially offset by the net effect of share-based compensation.

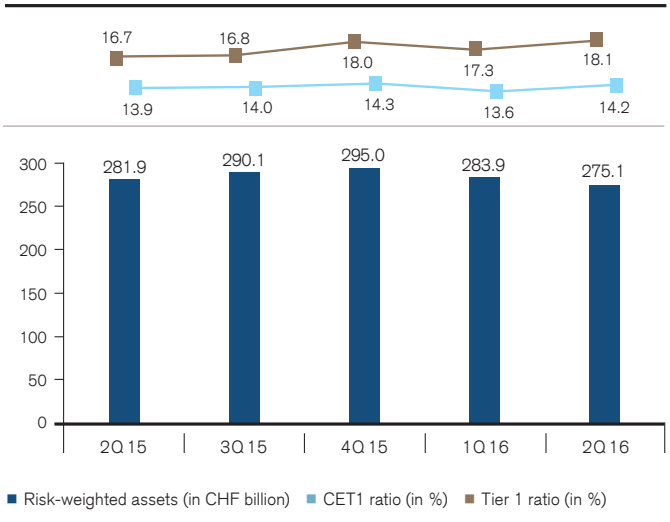
Additional tier 1 capital increased to CHF 10.8 billion as of the end of 2Q16 compared to CHF 10.5 billion as of the end of 1Q16, mainly reflecting the positive foreign exchange impact.

Tier 2 capital was CHF 9.1 billion as of the end of 2Q16 compared to CHF 8.9 billion as of the end of 1Q16, mainly reflecting the positive foreign exchange impact.

Total eligible capital was CHF 58.9 billion as of the end of 2Q16 compared to CHF 58.2 billion as of the end of 1Q16, reflecting the slight increases in CET1 capital, additional tier 1 capital and tier 2 capital.

As of the end of 2Q16, the look-through CET1 ratio was 11.8% compared to 11.4% as of the end of 1Q16. As of the end of 2Q16, the look-through total capital ratio was 18.4% compared to 17.6% as of the end of 1Q16.

## Risk-weighted assets and capital ratios – Group




## RISK-WEIGHTED ASSETS

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

RWA decreased 3% to CHF 275.1 billion as of the end of 2Q16 from CHF 283.9 billion as of the end of 1Q16, driven by a reduction in risk levels and methodology and policy changes in operational risk. This decrease was partially offset by increases resulting from the foreign exchange impact, methodology and policy changes and model and parameter updates in credit risk and market risk.

Excluding the foreign exchange impact, the decrease in **credit risk** was primarily driven by movements in risk levels, partially offset by methodology and policy changes and model and parameter updates. Movements in risk levels attributable to book size

resulted from reductions in commercial lending in Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit, partially offset by an increase in Asia Pacific. There was also a reduction in banking book securitizations in Global Markets, Swiss Universal Bank, International Wealth Management and the Strategic Resolution Unit and a reduction in private equity investments in Global Markets and International Wealth Management. The decrease in risk levels attributable to book quality was related to credit spread changes for advanced CVA. Internal methodology and policy changes resulted primarily from an enhancement of the model applied to share-backed lending in Global Markets and Asia Pacific. External methodology and policy changes were related to the additional phase-in of the multiplier on residential and commercial income producing real estate within Swiss Universal Bank and the multiplier on certain investment banking corporate exposures across the Group.

Excluding the foreign exchange impact, the decrease in **market risk** was primarily driven by decreases in risk levels, partially offset by internal methodology and policy changes and model and parameter updates. The movement in risk levels was primarily related to a reduction in market risk levels and trading book securitization exposures in Global Markets and the Strategic Resolution Unit. Additional decreases in market risk levels in Swiss Universal Bank and International Wealth Management were partially offset by an increase in market risk in Asia Pacific. The increase in internal methodology and policy changes was mainly due to the application of a standardized approach to trading book securitizations, which was formerly under the ratings based approach. Increases in model and parameter updates were primarily due to market data updates for stressed spreads within Global Markets, Swiss Universal Bank, Asia Pacific and the Strategic Resolution Unit.

The decrease in **operational risk** was driven by internal methodology changes related to a new insurance policy applied in late 2Q16. FINMA approved the policy as part of the advanced measurement approach (AMA) model enhancements. The RWA impacts of this insurance policy were partially recognized in 2Q16, with the remainder expected to be recognized in 3Q16.

## Risk-weighted assets – Group

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Group |
|---|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | | |
| Credit risk | 51,595 | 20,386 | 18,838 | 27,282 | 13,864 | 33,591 | 16,848 | **182,404** |
| Market risk | 680 | 687 | 7,954 | 8,463 | 103 | 3,617 | 151 | **21,655** |
| Operational risk | 11,937 | 12,289 | 4,783 | 14,954 | 2,546 | 19,000 | 0 | **65,509** |
| Non-counterparty risk | 392 | 251 | 69 | 51 | 0 | 273 | 4,452 | **5,488** |
| **Risk-weighted assets – phase-in** | **64,604** | **33,613** | **31,644** | **50,750** | **16,513** | **56,481** | **21,451** | **275,056** |
| Look-through adjustment | – | – | – | – | – | – | (3,601) | **(3,601)** |
| **Risk-weighted assets – look-through** | **64,604** | **33,613** | **31,644** | **50,750** | **16,513** | **56,481** | **17,850** | **271,455** |
| **4Q15 (CHF million)** | | | | | | | | |
| Credit risk | 47,989 | 18,653 | 15,214 | 33,955 | 12,856 | 45,739 | 18,792 | **193,198** |
| Market risk | 801 | 858 | 4,744 | 15,986 | 112 | 7,129 | 169 | **29,799** |
| Operational risk | 11,240 | 13,115 | 6,812 | 12,839 | 3,182 | 19,250 | 0 | **66,438** |
| Non-counterparty risk | 322 | 254 | 65 | 58 | 0 | 306 | 4,510 | **5,515** |
| **Risk-weighted assets – phase-in** | **60,352** | **32,880** | **26,835** | **62,838** | **16,150** | **72,424** | **23,471** | **294,950** |
| Look-through adjustment | – | – | – | – | – | – | (5,004) | **(5,004)** |
| **Risk-weighted assets – look-through** | **60,352** | **32,880** | **26,835** | **62,838** | **16,150** | **72,424** | **18,467** | **289,946** |

## Risk-weighted asset movement by risk type – Group

| 2Q16 (CHF million) | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Total |
|---|---|---|---|---|---|---|---|---|
| **Credit risk** | | | | | | | | |
| **Balance at beginning of period** | **51,090** | **19,364** | **15,950** | **28,767** | **14,243** | **39,268** | **16,340** | **185,022** |
| Foreign exchange impact | 368 | 90 | 269 | 472 | 299 | 733 | 172 | 2,403 |
| Movements in risk levels | (392) | 872 | 1,796 | (2,929) | (663) | (6,479) | 402 | (7,393) |
| of which credit risk – book size [1] | (1,093) | 816 | 2,219 | (1,355) | (1,262) | (5,199) | 150 | (5,724) |
| of which credit risk – book quality [2] | 701 | 56 | (423) | (1,574) | 599 | (1,280) | 252 | (1,669) |
| Model and parameter updates [3] | (275) | (63) | 49 | 354 | 28 | 50 | (71) | 72 |
| Methodology and policy changes – internal [4] | 247 | 123 | 621 | 463 | 22 | (49) | 1 | 1,428 |
| Methodology and policy changes – external [5] | 557 | 0 | 153 | 155 | (65) | 68 | 4 | 872 |
| **Balance at end of period – phase-in** | **51,595** | **20,386** | **18,838** | **27,282** | **13,864** | **33,591** | **16,848** | **182,404** |
| **Market risk** | | | | | | | | |
| **Balance at beginning of period** | **1,105** | **1,140** | **6,849** | **11,967** | **203** | **5,589** | **214** | **27,067** |
| Foreign exchange impact | 21 | 21 | 46 | 168 | 3 | 85 | (1) | 343 |
| Movements in risk levels | (630) | (493) | 835 | (4,741) | (106) | (2,174) | (62) | (7,371) |
| Model and parameter updates [3] | 174 | 9 | 129 | 391 | 1 | 70 | 0 | 774 |
| Methodology and policy changes – internal [4] | 10 | 10 | 95 | 678 | 2 | 47 | 0 | 842 |
| **Balance at end of period – phase-in** | **680** | **687** | **7,954** | **8,463** | **103** | **3,617** | **151** | **21,655** |
| **Operational risk** | | | | | | | | |
| **Balance at beginning of period** | **11,928** | **12,279** | **4,779** | **15,908** | **2,544** | **19,000** | **0** | **66,438** |
| Movements in risk levels | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Model and parameter updates [3] | 8 | 10 | 4 | 12 | 2 | 0 | 0 | 36 |
| Methodology and policy changes – internal [4] | 0 | 0 | 0 | (966) | 0 | 0 | 0 | (966) |
| **Balance at end of period – phase-in** | **11,937** | **12,289** | **4,783** | **14,954** | **2,546** | **19,000** | **0** | **65,509** |
| **Non-counterparty risk** | | | | | | | | |
| **Balance at beginning of period** | **314** | **245** | **71** | **56** | **0** | **268** | **4,456** | **5,410** |
| Movements in risk levels | 78 | 6 | (2) | (5) | 0 | 5 | (4) | 78 |
| **Balance at end of period – phase-in** | **392** | **251** | **69** | **51** | **0** | **273** | **4,452** | **5,488** |
| **Total** | | | | | | | | |
| **Balance at beginning of period** | **64,437** | **33,028** | **27,649** | **56,698** | **16,990** | **64,125** | **21,010** | **283,937** |
| Foreign exchange impact | 389 | 111 | 315 | 640 | 302 | 818 | 171 | 2,746 |
| Movements in risk levels | (943) | 385 | 2,629 | (7,675) | (769) | (8,648) | 336 | (14,685) |
| Model and parameter updates [3] | (93) | (44) | 182 | 757 | 31 | 120 | (71) | 882 |
| Methodology and policy changes – internal [4] | 257 | 133 | 716 | 175 | 24 | (2) | 1 | 1,304 |
| Methodology and policy changes – external [5] | 557 | 0 | 153 | 155 | (65) | 68 | 4 | 872 |
| **Balance at end of period – phase-in** | **64,604** | **33,613** | **31,644** | **50,750** | **16,513** | **56,481** | **21,451** | **275,056** |
| Look-through adjustment [6] | – | – | – | – | – | – | (3,601) | (3,601) |
| **Balance at end of period – look-through** | **64,604** | **33,613** | **31,644** | **50,750** | **16,513** | **56,481** | **17,850** | **271,455** |

[1] Represents changes in portfolio size.
[2] Represents changes in average risk weighting across credit risk classes.
[3] Represents movements arising from updates to models and recalibrations of parameters.
[4] Represents internal changes impacting how exposures are treated.
[5] Represents externally prescribed regulatory changes impacting how exposures are treated.
[6] The look-through adjustment impacts only credit risk within the Corporate Center. The difference between phase-in and look-through risk-weighted assets relates to transitional arrangements such as the impact from pension assets and deferred tax assets not deducted from CET1 during the phase-in period and the transitional impact from threshold-related risk-weighted assets.

## LEVERAGE METRICS

Beginning in 1Q15, Credit Suisse adopted the BIS leverage ratio framework, as issued by the BCBS and implemented in Switzerland by FINMA. Under the BIS framework, the leverage ratio measures tier 1 capital against the end of period exposure. BIS leverage amounts are calculated based on our interpretation of, and assumptions and estimates related to, the BIS requirements as implemented in Switzerland by FINMA. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown here. As used herein, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments.

The look-through leverage exposure was CHF 966.5 billion as of the end of 2Q16, stable compared to the end of 1Q16. The movement was primarily due to a decrease in adjustments for derivative financial instruments, reflecting a reduction in derivative transactions, and a decrease in adjustments for off-balance sheet exposures relating to commitments and the foreign exchange translation impact. The slight increase in the Group's consolidated balance sheet reflected the foreign exchange translation impact, partially offset by lower operating activities.

▸ Refer to "Balance sheet and off-balance sheet" for further information on the reduction in the Group's consolidated balance sheet.

### Leverage exposure components – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q16** | 1Q16 | 4Q15 | % change QoQ | **2Q16** | 1Q16 | 4Q15 | % change QoQ |
| **Leverage exposure (CHF million)** | | | | | | | | |
| **Balance sheet assets** | **821,164** | **813,898** | **820,805** | 1 | **821,164** | **813,898** | **820,805** | 1 |
| **Adjustments** | | | | | | | | |
| Difference in scope of consolidation and tier 1 capital deductions [1] | (11,067) | (11,903) | (10,553) | (7) | (15,276) | (16,073) | (16,431) | (5) |
| Derivative financial instruments | 95,582 | 100,417 | 104,353 | (5) | 95,582 | 100,417 | 104,353 | (5) |
| Securities financing transactions | (15,710) | (14,147) | (16,214) | 11 | (15,710) | (14,147) | (16,214) | 11 |
| Off-balance sheet exposures | 80,788 | 85,446 | 95,115 | (5) | 80,788 | 85,446 | 95,115 | (5) |
| **Total adjustments** | **149,593** | **159,813** | **172,701** | (6) | **145,384** | **155,643** | **166,823** | (7) |
| **Leverage exposure** | **970,757** | **973,711** | **993,506** | 0 | **966,548** | **969,541** | **987,628** | 0 |

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

### Look-through leverage exposure – Group

| end of | **2Q16** | 1Q16 | 4Q15 |
|---|---|---|---|
| **Look-through leverage exposure (CHF million)** | | | |
| Swiss Universal Bank | 245,108 | 242,144 | 238,180 |
| International Wealth Management | 95,442 | 90,865 | 101,628 |
| Asia Pacific | 107,595 | 103,872 | 98,632 |
| Global Markets | 279,099 | 280,029 | 276,656 |
| Investment Banking & Capital Markets | 43,762 | 44,369 | 40,898 |
| Strategic Resolution Unit | 143,805 | 159,888 | 168,544 |
| Corporate Center | 51,737 | 48,374 | 63,090 |
| **Leverage exposure** | **966,548** | **969,541** | **987,628** |

### BIS leverage ratios – Group

The tier 1 leverage ratio was 5.1% as of the end of 2Q16, with a CET1 component of 4.0%. On a look-through basis, the tier 1 leverage ratio was 4.4%, with a CET1 component of 3.3%.

The tier 1 leverage ratio and the CET1 leverage ratio were stable compared to the end of 1Q16, reflecting the slight increase in CET1 capital, partially offset by a slightly lower leverage exposure.

## BIS leverage metrics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q16** | 1Q16 | 4Q15 | % change QoQ | **2Q16** | 1Q16 | 4Q15 | % change QoQ |
| **Capital (CHF million)** | | | | | | | | |
| CET1 capital | 38,933 | 38,682 | 42,072 | 1 | 32,048 | 31,840 | 32,938 | 1 |
| Tier 1 capital | 49,780 | 49,221 | 53,063 | 1 | 43,005 | 42,536 | 44,601 | 1 |
| **Leverage exposure (CHF million)** | | | | | | | | |
| Leverage exposure | 970,757 | 973,711 | 993,506 | 0 | 966,548 | 969,541 | 987,628 | 0 |
| **Leverage ratios (%)** | | | | | | | | |
| CET1 leverage ratio | 4.0 | 4.0 | 4.2 | – | 3.3 | 3.3 | 3.3 | – |
| Tier 1 leverage ratio | 5.1 | 5.1 | 5.3 | – | 4.4 | 4.4 | 4.5 | – |

## SWISS CAPITAL METRICS

### Swiss regulatory capital and ratios

▸ Refer to "Swiss Requirements" in Regulatory capital framework for further information on Swiss regulatory requirements.

Swiss CET1 capital consists of BIS CET1 capital and certain Swiss regulatory adjustments. Swiss total eligible capital consists of Swiss CET1 capital, high-trigger capital instruments, low-trigger capital instruments, additional tier 1 and tier 2 instruments subject to phase-out and deductions from additional tier 1 and tier 2 capital.

As of the end of 2Q16, our Swiss CET1 capital and Swiss total capital ratios were 14.1% and 21.3%, respectively, compared to the Swiss capital ratio phase-in requirements of 8.12% and 14.55%, respectively.

On a look-through basis, our Swiss CET1 capital was CHF 31.9 billion and our Swiss CET1 ratio was 11.7% as of the end of 2Q16. Our Swiss total eligible capital was CHF 49.8 billion and our Swiss total capital ratio was 18.3% as of the end of 2Q16, each on a look-through basis.

## Swiss capital metrics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q16** | 1Q16 | 4Q15 | % change QoQ | **2Q16** | 1Q16 | 4Q15 | % change QoQ |
| **Capital development (CHF million)** | | | | | | | | |
| CET1 capital | 38,933 | 38,682 | 42,072 | 1 | 32,048 | 31,840 | 32,938 | 1 |
| Swiss regulatory adjustments [1] | (155) | (149) | (143) | 4 | (160) | (154) | (151) | 4 |
| **Swiss CET1 capital** | **38,778** | **38,533** | **41,929** | 1 | **31,888** | **31,686** | **32,787** | 1 |
| Additional tier 1 instruments | 5,768 | 5,679 | 6,562 | 2 | 5,768 | 5,679 | 6,562 | 2 |
| Tier 2 instruments | 2,649 | 2,620 | 2,682 | 1 | 2,649 | 2,620 | 2,682 | 1 |
| **High-trigger capital instruments** | **8,417** | **8,299** | **9,244** | 1 | **8,417** | **8,299** | **9,244** | 1 |
| Additional tier 1 instruments | 5,188 | 5,017 | 5,101 | 3 | 5,188 | 5,017 | 5,101 | 3 |
| Tier 2 instruments | 4,267 | 4,189 | 4,142 | 2 | 4,267 | 4,189 | 4,142 | 2 |
| **Low-trigger capital instruments** | **9,455** | **9,206** | **9,243** | 3 | **9,455** | **9,206** | **9,243** | 3 |
| Additional tier 1 and tier 2 instruments subject to phase-out | 4,930 | 4,810 | 5,586 | 2 | – | – | – | – |
| Deductions from additional tier 1 and tier 2 capital | (2,885) | (2,829) | (3,463) | 2 | – | – | – | – |
| **Swiss total eligible capital** | **58,695** | **58,019** | **62,539** | 1 | **49,760** | **49,191** | **51,274** | 1 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 275,056 | 283,937 | 294,950 | (3) | 271,455 | 280,382 | 289,946 | (3) |
| Swiss regulatory adjustments [2] | 706 | 778 | 908 | (9) | 705 | 778 | 907 | (9) |
| **Swiss risk-weighted assets** | **275,762** | **284,715** | **295,858** | (3) | **272,160** | **281,160** | **290,853** | (3) |
| **Swiss capital ratios (%)** | | | | | | | | |
| Swiss CET1 ratio | 14.1 | 13.5 | 14.2 | – | 11.7 | 11.3 | 11.3 | – |
| Swiss total capital ratio | 21.3 | 20.4 | 21.1 | – | 18.3 | 17.5 | 17.6 | – |

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Primarily includes differences in the credit risk multiplier.

The following table presents the Swiss Requirements for each of the relevant capital components and discloses our current capital metrics against those requirements.

## Swiss capital requirements and coverage – Group

| | | | | | Group |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2Q16 |
| **Risk-weighted assets (CHF billion)** | | | | | |
| Swiss risk-weighted assets | – | – | – | – | **275.8** |
| **2016 Swiss capital requirements** [1] | | | | | |
| Minimum Swiss capital ratio | 4.50% | 6.25% [2] | 3.80% | – | **14.55%** |
| Minimum Swiss capital (CHF billion) | 12.4 | 17.2 | 10.5 | – | **40.1** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 12.4 | 10.0 | – | 16.4 | **38.8** |
| High-trigger capital instruments | – | 7.2 | 1.0 | 0.1 | **8.4** |
| Low-trigger capital instruments | – | – | 9.5 | – | **9.5** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.9 | **4.9** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.9) | **(2.9)** |
| **Swiss total eligible capital** | **12.4** | **17.2** | **10.5** | **18.6** | **58.7** |
| **Swiss capital ratios (%)** | | | | | |
| Swiss total capital ratio | 4.50% | 6.25% | 3.80% | 6.73% | **21.28%** |

Rounding differences may occur.
[1] The Swiss capital requirements are based on a percentage of RWA.
[2] Excludes the countercyclical buffer that was required as of September 30, 2013. As of the end of 2Q16, the countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 393 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

### SWISS LEVERAGE METRICS

The leverage exposure used in the Swiss leverage ratio is measured on the same period-end basis as the leverage exposure for the BIS leverage ratio.

The Swiss leverage ratio is calculated as Swiss total eligible capital, including high- and low-trigger capital instruments, divided by leverage exposure.

As of the end of 2Q16, our Swiss leverage ratio was 6.0% compared to a requirement of 3.49%.

The Group's look-through Swiss leverage ratio was 5.1% as of the end of 2Q16, compared to the current 4.34% requirement effective 2019, reflecting our progressive component requirement for 2016.

## Swiss leverage metrics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | 2Q16 | 1Q16 | 4Q15 | % change QoQ | 2Q16 | 1Q16 | 4Q15 | % change QoQ |
| **Swiss leverage metrics (CHF million, except where indicated)** | | | | | | | | |
| Swiss total eligible capital | 58,695 | 58,019 | 62,539 | 1 | 49,760 | 49,191 | 51,274 | 1 |
| Leverage exposure | 970,757 | 973,711 | 993,506 | – | 966,548 | 969,541 | 987,628 | 0 |
| Swiss leverage ratio (%) | 6.0 | 6.0 | 6.3 | – | 5.1 | 5.1 | 5.2 | – |

The following table presents the Swiss Requirements relating to each of the relevant capital components and discloses our current leverage metrics against those requirements.

## Swiss leverage requirements and coverage – Group

| | | | | | Group |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2Q16 |
| **Exposure (CHF billion)** | | | | | |
| Leverage exposure | – | – | – | – | **970.8** |
| **2016 Swiss leverage requirements** | | | | | |
| Minimum Swiss leverage ratio | 1.08% | 1.50% | 0.91% | – | **3.49%** |
| Minimum Swiss capital (CHF billion) | 10.5 | 14.6 | 8.9 | – | **33.9** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 10.5 | 8.4 | – | 19.8 | **38.8** |
| High-trigger capital instruments | – | 6.1 | – | 2.3 | **8.4** |
| Low-trigger capital instruments | – | – | 8.9 | 0.6 | **9.5** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.9 | **4.9** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.9) | **(2.9)** |
| **Swiss total eligible capital** | **10.5** | **14.6** | **8.9** | **24.8** | **58.7** |
| **Swiss leverage ratio (%)** | | | | | |
| Swiss leverage ratio | 1.08% | 1.50% | 0.91% | 2.55% | **6.05%** |

Rounding differences may occur.

## BANK REGULATORY DISCLOSURES

The following capital, RWA and leverage disclosures apply to the Bank. The business of the Bank is substantially the same as that of the Group, including business drivers and trends relating to capital, RWA and leverage metrics.

### BIS capital and leverage metrics – Bank

▸ Refer to "BIS capital metrics", "Risk-weighted assets" and "Leverage metrics" for further information.

## BIS capital metrics – Bank

| | | | | Phase-in |
|---|---|---|---|---|
| end of | 2Q16 | 1Q16 | 4Q15 | % change QoQ |
| **Capital and risk-weighted assets (CHF million)** | | | | |
| CET1 capital | 37,164 | 37,202 | 40,013 | 0 |
| Tier 1 capital | 47,497 | 47,236 | 50,570 | 1 |
| Total eligible capital | 56,619 | 56,233 | 60,242 | 1 |
| Risk-weighted assets | 267,502 | 276,737 | 286,947 | (3) |
| **Capital ratios (%)** | | | | |
| CET1 ratio | 13.9 | 13.4 | 13.9 | – |
| Tier 1 ratio | 17.8 | 17.1 | 17.6 | – |
| Total capital ratio | 21.2 | 20.3 | 21.0 | – |

## Eligible capital and risk-weighted assets – Bank

| end of | 2Q16 | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Eligible capital (CHF million)** | | | | |
| **Total shareholder's equity** | **43,997** | **43,789** | **43,406** | 0 |
| Regulatory adjustments [1] | (313) | (156) | (5) | 101 |
| Adjustments subject to phase-in | (6,520) [2] | (6,431) | (3,388) | 1 |
| **CET1 capital** | **37,164** | **37,202** | **40,013** | 0 |
| Additional tier 1 instruments | 10,098 [3] | 9,855 | 10,805 | 2 |
| Additional tier 1 instruments subject to phase-out [4] | 2,672 | 2,579 | 2,616 | 4 |
| Deductions from additional tier 1 capital | (2,437) [5] | (2,400) | (2,864) | 2 |
| **Additional tier 1 capital** | **10,333** | **10,034** | **10,557** | 3 |
| **Tier 1 capital** | **47,497** | **47,236** | **50,570** | 1 |
| Tier 2 instruments | 6,962 [6] | 6,852 | 6,865 | 2 |
| Tier 2 instruments subject to phase-out | 2,257 | 2,231 | 2,970 | 1 |
| Deductions from tier 2 capital | (97) | (86) | (163) | 13 |
| **Tier 2 capital** | **9,122** | **8,997** | **9,672** | 1 |
| **Total eligible capital** | **56,619** | **56,233** | **60,242** | 1 |
| **Risk-weighted assets by risk type (CHF million)** | | | | |
| Credit risk | 175,221 | 178,194 | 185,574 | (2) |
| Market risk | 21,602 | 27,018 | 29,755 | (20) |
| Operational risk | 65,509 | 66,438 | 66,438 | (1) |
| Non-counterparty risk | 5,170 | 5,087 | 5,180 | 2 |
| **Risk-weighted assets** | **267,502** | **276,737** | **286,947** | (3) |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Primarily reflects 60% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets.
[3] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 5.8 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.3 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
[4] Includes hybrid capital instruments that are subject to phase-out.
[5] Includes 40% of goodwill and other intangible assets (CHF 1.6 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
[6] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.3 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## Leverage exposure components – Bank

| end of | 2Q16 | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Leverage exposure (CHF million)** | | | | |
| **Balance sheet assets** | **804,003** | **796,661** | **803,931** | 1 |
| **Adjustments** | | | | |
| Difference in scope of consolidation and tier 1 capital deductions [1] | (12,877) | (13,691) | (13,059) | (6) |
| Derivative financial instruments | 95,821 | 100,504 | 104,604 | (5) |
| Securities financing transactions | (15,712) | (14,023) | (16,215) | 12 |
| Off-balance sheet exposures | 79,918 | 84,662 | 94,312 | (6) |
| **Total adjustments** | **147,150** | **157,452** | **169,642** | (7) |
| **Leverage exposure** | **951,153** | **954,113** | **973,573** | 0 |

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

## BIS leverage metrics – Bank

| end of | 2Q16 | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Capital (CHF million)** | | | | |
| CET1 capital | 37,164 | 37,202 | 40,013 | 0 |
| Tier 1 capital | 47,497 | 47,236 | 50,570 | 1 |
| **Leverage exposure (CHF million)** | | | | |
| Leverage exposure | 951,153 | 954,113 | 973,573 | 0 |
| **Leverage ratios (%)** | | | | |
| CET1 leverage ratio | 3.9 | 3.9 | 4.1 | – |
| Tier 1 leverage ratio | 5.0 | 5.0 | 5.2 | – |

### Swiss capital and leverage metrics – Bank

▸ Refer to "Swiss capital metrics" and "Swiss leverage metrics" for further information.

## Swiss capital and leverage metrics – Bank

| end of | 2Q16 | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Capital development (CHF million)** | | | | |
| CET1 capital | 37,164 | 37,202 | 40,013 | 0 |
| Swiss regulatory adjustments [1] | (125) | (119) | (117) | 5 |
| **Swiss CET1 capital** | **37,039** | **37,083** | **39,896** | 0 |
| High-trigger capital instruments | 8,540 [2] | 8,415 | 9,350 | 1 |
| Low-trigger capital instruments | 8,520 [3] | 8,292 | 8,320 | 3 |
| Additional tier 1 and tier 2 instruments subject to phase-out | 4,930 | 4,810 | 5,586 | 2 |
| Deductions from additional tier 1 and tier 2 capital | (2,534) | (2,486) | (3,027) | 2 |
| **Swiss total eligible capital** | **56,495** | **56,114** | **60,125** | 1 |
| **Risk-weighted assets (CHF million)** | | | | |
| Risk-weighted assets – Basel III | 267,502 | 276,737 | 286,947 | (3) |
| Swiss regulatory adjustments [4] | 710 | 779 | 909 | (9) |
| **Swiss risk-weighted assets** | **268,212** | **277,516** | **287,856** | (3) |
| **Leverage exposure (CHF million)** | | | | |
| **Leverage exposure** | **951,153** | **954,113** | **973,573** | 0 |
| **Swiss capital and leverage ratios (%)** | | | | |
| Swiss CET1 ratio | 13.8 | 13.4 | 13.9 | – |
| Swiss total capital ratio | 21.1 | 20.2 | 20.9 | – |
| Swiss leverage ratio | 5.9 | 5.9 | 6.2 | – |

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Consists of CHF 5.8 billion additional tier 1 instruments and CHF 2.7 billion tier 2 instruments.
[3] Consists of CHF 4.3 billion additional tier 1 instruments and CHF 4.3 billion tier 2 instruments.
[4] Primarily includes differences in the credit risk multiplier.

## Swiss capital requirements and coverage – Bank

| | | | | | Bank |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2Q16 |
| **Risk-weighted assets (CHF billion)** | | | | | |
| Swiss risk-weighted assets | – | – | – | – | **268.2** |
| **2016 Swiss capital requirements** [1] | | | | | |
| Minimum Swiss capital ratio | 4.50% | 6.25% [2] | 3.80% | – | **14.55%** |
| Minimum Swiss capital (CHF billion) | 12.1 | 16.8 | 10.2 | – | **39.0** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 12.1 | 9.9 | – | 15.1 | **37.0** |
| High-trigger capital instruments | – | 6.9 | 1.7 | – | **8.5** |
| Low-trigger capital instruments | – | – | 8.5 | – | **8.5** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.9 | **4.9** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.5) | **(2.5)** |
| **Swiss total eligible capital** | **12.1** | **16.8** | **10.2** | **17.5** | **56.5** |
| **Swiss capital ratio (%)** | | | | | |
| Swiss total capital ratio | 4.50% | 6.25% | 3.80% | 6.51% | **21.06%** |

Rounding differences may occur.
[1] The Swiss capital requirements are based on a percentage of RWA.
[2] Excludes the countercyclical buffer that was required as of September 30, 2013. As of the end of 2Q16, the countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 320 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

## Swiss leverage requirements and coverage – Bank

| | | | | | Bank |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2Q16 |
| **Exposure (CHF billion)** | | | | | |
| Leverage exposure | – | – | – | – | **951.2** |
| **2016 Swiss leverage requirements** | | | | | |
| Minimum Swiss leverage ratio | 1.08% | 1.50% | 0.91% | – | **3.49%** |
| Minimum Swiss capital (CHF billion) | 10.3 | 14.3 | 8.7 | – | **33.2** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 10.3 | 8.3 | – | 18.5 | **37.0** |
| High-trigger capital instruments | – | 6.0 | 0.2 | 2.4 | **8.5** |
| Low-trigger capital instruments | – | – | 8.5 | – | **8.5** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.9 | **4.9** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.5) | **(2.5)** |
| **Swiss total eligible capital** | **10.3** | **14.3** | **8.7** | **23.3** | **56.5** |
| **Swiss leverage ratio (%)** | | | | | |
| Swiss leverage ratio | 1.08% | 1.50% | 0.91% | 2.45% | **5.94%** |

Rounding differences may occur.

### OTHER REGULATORY DISCLOSURES

In connection with the implementation of Basel III, certain regulatory disclosures for the Group, the Bank, the Bank parent company and Credit Suisse International are required. Additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base of the Group, G-SIB financial indicators, subsidiary regulatory reporting, reconciliation requirements, Pillar 3 disclosures, leverage ratios and certain liquidity disclosures can be found on our website.

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

## SHAREHOLDERS' EQUITY AND SHARE METRICS

### Total shareholders' equity

Our total shareholders' equity remained stable at CHF 45.0 billion as of the end of 2Q16 compared to the end of 1Q16. Total shareholders' equity was positively impacted by foreign exchange-related movements on cumulative translation adjustments, the issuance of common shares in connection with earn-out payments relating to our acquisition of our interest in York, an increase in the share-based compensation obligation and net income attributable to shareholders. These movements were partially offset by transactions relating to the settlement of share-based compensation awards and dividends paid.

▸ Refer to the "Consolidated statements of changes in equity (unaudited)" in III – Condensed consolidated financial statements – unaudited for further information on shareholders' equity.

### Shareholders' equity and share metrics

| | | | | % change |
|---|---|---|---|---|
| End of | **2Q16** | 1Q16 | 4Q15 | QoQ |
| **Shareholders' equity (CHF million)** | | | | |
| Common shares | 84 | 78 | 78 | 8 |
| Additional paid-in capital | 31,702 | 32,318 | 31,925 | (2) |
| Retained earnings | 28,532 | 28,362 | 29,139 | 1 |
| Treasury shares, at cost | (94) | (158) | (125) | (41) |
| Accumulated other comprehensive loss | (15,262) | (15,603) | (16,635) | (2) |
| **Total shareholders' equity** | **44,962** | **44,997** | **44,382** | 0 |
| Goodwill | (4,745) | (4,688) | (4,808) | 1 |
| Other intangible assets | (191) | (186) | (196) | 3 |
| **Tangible shareholders' equity** [1] | **40,026** | **40,123** | **39,378** | 0 |
| **Shares outstanding (million)** | | | | |
| Common shares issued | 2,089.9 | 1,957.4 | 1,957.4 | 7 |
| Treasury shares | (8.5) | (11.0) | (5.9) | (23) |
| **Shares outstanding** | **2,081.4** | **1,946.4** | **1,951.5** | 7 |
| **Par value (CHF)** | | | | |
| **Par value** | **0.04** | **0.04** | **0.04** | 0 |
| **Book value per share (CHF)** | | | | |
| **Total book value per share** | **21.60** | **23.12** | **22.74** | (7) |
| Goodwill per share | (2.28) | (2.41) | (2.46) | (5) |
| Other intangible assets per share | (0.09) | (0.10) | (0.10) | (10) |
| **Tangible book value per share** [1] | **19.23** | **20.61** | **20.18** | (7) |

[1] Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

# Risk management

In 2Q16, our available economic capital was stable, economic risk capital decreased 1%, overall position risk was stable and average risk management VaR in US dollars decreased 26%. Gross impaired loans increased CHF 92 million to CHF 2.3 billion on a gross loan portfolio of CHF 274.8 billion.

## OVERVIEW AND RISK-RELATED DEVELOPMENTS

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Our risk management framework is based on transparency, management accountability and independent oversight.

▸ Refer to "Key risk developments", "Risk management oversight", "Risk appetite framework" and "Risk coverage and management" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2015 for further information and additional details of our current risk management framework and activities, including definitions of certain terms and relevant metrics.

### UK referendum

On June 23, 2016, voters in the UK voted to leave the European Union in a non-binding referendum. This caused significant volatility in the financial markets, including substantial declines in global stock prices and a steep devaluation of the British pound, as well as a political crisis in the UK. Among the significant global implications of the referendum is the increased uncertainty concerning a potentially more persistent and widespread imposition by central banks of negative interest rate policies. The Bank of Japan, the European Central Bank and several other monetary authorities in Europe have already introduced negative interest rates to address deflationary concerns and to prevent appreciation of their respective currencies. Going forward, it is possible the Fed may postpone a hike in interest rates, while the Bank of England may ease its monetary policy over the coming months to mitigate any potential slowdown in the UK economy.

We have been and continue monitoring developments closely and conducting various scenario analyses designed to capture factors, such as possible impacts of the referendum on UK gross domestic product, the British pound and negative interest rates to assess the potential effects on our earnings and capital position. We consider the immediate overall impact on Credit Suisse to have been manageable during this period from an exposure, earnings and liquidity perspective. We implemented a number of precautionary measures to ensure operational and infrastructure stability over the period around the referendum. In particular, we experienced substantial trading volumes in the days following the result of the referendum; however, we suffered no significant operational issues due to our active management of these volume increases.

## ECONOMIC RISK CAPITAL REVIEW

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.

Economic risk capital measures risks in terms of economic realities rather than regulatory or accounting rules and estimates the amount of capital needed to remain solvent and in business under extreme market, business and operating conditions over the period of one year, given our target financial strength (our long-term credit rating). Economic risk capital is set to a level needed to absorb unexpected losses at a confidence level of 99.97%. Our economic risk capital model is a set of methodologies used for measuring quantifiable risks associated with our business activities on a consistent basis. It is calculated separately for position risk (reflecting our exposure to market and credit risks), operational risk and other risks.

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In the event of methodology changes and dataset and model parameter updates, prior-period balances are restated in order to show meaningful trends.

▸ Refer to "Economic risk capital" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on economic risk capital and position risk.

In 2Q16, we have updated the divisional economic risk capital models and restated divisional economic risk capital to reflect the impact of the accelerated restructuring of the Global Markets business announced on March 23, 2016. We also enhanced the position risk methodology for risk management purposes. We modified the parameters we use in the modeling of our international lending & counterparty exposures to be more granular with respect to transaction ratings relating to regions, industries and products and updated the aggregation approach between international lending exposure and counterparty exposure. The net impact of these methodology enhancements on position risk for the Group as of the end of 1Q16 was a decrease of CHF 313 million, or 2.7%.

For economic risk capital used for capital management purposes, there were no further methodology changes in 2Q16. The net impact of the above methodology enhancements in position risk for the Group on economic risk capital used for capital

management purposes as of the end of 1Q16 was a decrease of CHF 480 million, or 1.4%.

### Available economic capital trends

As of the end of 2Q16, our available economic capital for the Group was CHF 49.1 billion, a decrease of CHF 0.2 billion from the end of 1Q16. BIS look-through CET1 capital increased CHF 0.2 billion, mainly reflecting the issuance of common shares, a positive foreign exchange impact and net income attributable to shareholders for the period, partially offset by the net effect of share-based compensation. Economic adjustments decreased CHF 0.2 billion, mainly reflecting the release of dividend accruals with the payment of the 2015 dividend and the improved funding status of our US pension plan, partially offset by increased adjustments for low-trigger capital notes mainly due to a positive foreign exchange impact.

## Economic risk capital

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 4Q15 | QoQ | Ytd |
| **Available economic capital (CHF million)** | | | | | |
| BIS look-through CET1 capital (Basel III) | 32,048 | 31,840 | 32,938 | 1 | (3) |
| Economic adjustments [1] | 17,023 | 17,421 | 17,284 | (2) | (2) |
| **Available economic capital** | **49,071** | **49,261** | **50,222** | 0 | (2) |
| **Economic risk capital (CHF million)** | | | | | |
| Position risk (99.97% confidence level) | 20,314 | 20,134 | 22,375 | 1 | (9) |
| Operational risk | 7,405 | 7,501 | 7,501 | (1) | (1) |
| Other risks [2] | 6,566 | 7,114 | 6,031 | (8) | 9 |
| **Economic risk capital** | **34,285** | **34,749** | **35,907** | (1) | (5) |
| **Economic risk capital coverage ratio (%) [3]** | | | | | |
| **Economic risk capital coverage ratio** | **143** | **142** | **140** | – | – |
| **Economic risk capital by division (CHF million)** | | | | | |
| Swiss Universal Bank | 5,561 | 5,499 | 5,233 | 1 | 6 |
| International Wealth Management | 3,780 | 3,723 | 3,469 | 2 | 9 |
| Asia Pacific | 4,238 | 3,908 | 3,684 | 8 | 15 |
| Global Markets | 9,857 | 9,991 | 11,733 | (1) | (16) |
| Investment Banking & Capital Markets | 4,579 | 4,554 | 4,068 | 1 | 13 |
| Strategic Resolution Unit | 5,243 | 6,099 | 7,084 | (14) | (26) |
| Corporate Center [4] | 1,122 | 1,195 | 764 | (6) | 47 |
| **Economic risk capital – Group [5]** | **34,285** | **34,749** | **35,907** | (1) | (5) |
| **Average economic risk capital by division (CHF million)** | | | | | |
| Swiss Universal Bank | 5,530 | 5,366 | 5,123 | 3 | 8 |
| International Wealth Management | 3,751 | 3,596 | 3,364 | 4 | 12 |
| Asia Pacific | 4,073 | 3,796 | 3,582 | 7 | 14 |
| Global Markets | 9,924 | 10,862 | 12,314 | (9) | (19) |
| Investment Banking & Capital Markets | 4,567 | 4,311 | 4,032 | 6 | 13 |
| Strategic Resolution Unit | 5,671 | 6,591 | 6,723 | (14) | (16) |
| Corporate Center [4] | 1,159 | 979 | 750 | 18 | 55 |
| **Average economic risk capital – Group [6]** | **34,517** | **35,328** | **35,762** | (2) | (3) |

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends. The calculation of divisional economic risk capital under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

[1] Includes primarily high- and low-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to BIS look-through CET1 capital to enable comparison between economic risk capital and available economic capital under the Basel III framework.

[2] Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between available economic capital and economic risk capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain planned methodology changes.

[3] Ratio of available economic capital to economic risk capital.

[4] Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between available economic capital and economic risk capital.

[5] Includes a diversification benefit of CHF 95 million, CHF 220 million and CHF 128 million as of the end of 2Q16, 1Q16 and 4Q15, respectively.

[6] Includes a diversification benefit of CHF 158 million, CHF 173 million and CHF 126 million as of the end of 2Q16, 1Q16 and 4Q15, respectively.

### Economic risk capital trends

Compared to the end of 2015, our economic risk capital decreased CHF 1.6 billion, or 5%, to CHF 34.3 billion as of the end of 2Q16, driven by a 9% decrease in position risk in line with our risk reduction strategy. On a divisional level, economic risk capital decreased CHF 1.9 billion, or 16%, in Global Markets and CHF 1.8 billion, or 26%, in the Strategic Resolution Unit. These decreases were partially offset by increases of CHF 0.6 billion,

or 15%, in Asia Pacific, CHF 0.5 billion, or 13%, in Investment Banking & Capital Markets, CHF 0.3 billion, or 6%, in Swiss Universal Bank and CHF 0.3 billion, or 9%, in International Wealth Management.

Compared to the end of 1Q16, economic risk capital decreased CHF 0.5 million, or 1%. Excluding the US dollar translation impact, economic risk capital decreased 2%, mainly due to a decrease in other risks, partially offset by an increase in position risk. The decrease in other risks primarily reflected lower pension risk and a decrease in risks not included in the economic risk capital framework. Position risk changes mainly reflected higher emerging market country event risk from higher exposures in Latin America and higher private banking corporate & retail lending exposures, largely offset by reduced risk in equity trading & investments and real estate & structured assets and reduced counterparty risk in international lending & counterparty exposures.

For Swiss Universal Bank, economic risk capital increased 1% to CHF 5.6 billion from the end of 1Q16, mainly due to increased private banking corporate & retail lending exposures, partially offset by lower pension risk.

For International Wealth Management, economic risk capital increased 2% to CHF 3.8 billion from the end of 1Q16, mainly due to increased private banking corporate & retail lending and higher emerging market country event risk, partially offset by reduced international lending & counterparty exposures and lower pension risk.

For Asia Pacific, economic risk capital increased 8% to CHF 4.2 billion from the end of 1Q16. Excluding the US dollar translation impact, economic risk capital increased 7%, mainly due to higher international lending & counterparty exposures, partially offset by reduced derivatives exposures in equity trading & investments.

For Global Markets, economic risk capital decreased 1% to CHF 9.9 billion from the end of 1Q16. Excluding the US dollar translation impact, economic risk capital decreased 3%, primarily reflecting reduced CMBS exposures in real estate & structured assets and reduced counterparty risk in international lending & counterparty exposures, partially offset by higher emerging market country event risk from increased foreign exchange exposures in Latin America and increased expense risk.

For Investment Banking & Capital Markets, economic risk capital increased 1% to CHF 4.6 billion from the end of 1Q16. Excluding the US dollar translation impact, economic risk capital decreased 1%, mainly due to reduced counterparty risk in international lending & counterparty exposures and lower pension risk.

For the Strategic Resolution Unit, economic risk capital decreased 14% to CHF 5.2 billion from the end of 1Q16. Excluding the US dollar translation impact, economic risk capital decreased 15%, mainly due to lower risk in equity trading & investments, reduced counterparty risk in international lending & counterparty exposures, reduced expense risk and a decrease in risks not included in the economic risk capital framework.

## Position risk

| | | | end of | % change | |
|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 4Q15 | QoQ | Ytd |
| **Position risk (CHF million)** | | | | | |
| Fixed income trading [1] | 1,364 | 1,320 | 1,230 | 3 | 11 |
| Equity trading & investments | 1,538 | 1,725 | 1,872 | (11) | (18) |
| Private banking corporate & retail lending | 2,481 | 2,366 | 2,751 | 5 | (10) |
| International lending & counterparty exposures | 5,818 | 5,876 | 6,094 | (1) | (5) |
| Emerging markets country event risk | 1,525 | 1,174 | 1,544 | 30 | (1) |
| Real estate & structured assets [2] | 1,225 | 1,362 | 1,917 | (10) | (36) |
| **Simple sum across risk categories** | **13,951** | **13,823** | **15,408** | 1 | (9) |
| Diversification benefit [3] | (2,583) | (2,435) | (2,762) | 6 | (6) |
| **Position risk (99% confidence level for risk management purposes)** | **11,368** | **11,388** | **12,646** | 0 | (10) |
| **Position risk (99.97% confidence level for capital management purposes)** | **20,314** | **20,134** | **22,375** | 1 | (9) |

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends.

[1] This category comprises fixed income trading, foreign exchange, commodity and insurance exposures.

[2] This category comprises commercial and residential real estate (including RMBS and CMBS), asset-backed securities exposure, real estate acquired at auction and real estate fund investments.

[3] Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

### Key position risk trends

Compared to the end of 2015, our position risk decreased CHF 1.3 billion, or 10%, to CHF 11.4 billion as of the end of 2Q16.

Compared to the end of 1Q16, position risk for risk management purposes was stable. Excluding the US dollar translation impact, position risk decreased 2%, mainly due to reduced risk in equity trading & investments due to lower equity exposures from derivatives in Asia and in the US, decreased risk in real estate & structured assets related to reduced CMBS exposures and reduced counterparty risk in international lending & counterparty exposures. These reductions were partially offset by increased foreign exchange exposures in Latin America in emerging markets country event risk and higher private banking corporate & retail lending exposures in Switzerland.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

## MARKET RISK REVIEW

Market risk is the risk of financial loss arising from movements in market prices. Market risks arise from both our trading and non-trading business activities. The classification of assets into trading book and banking book portfolios determines the approach for analyzing our market risk exposure. Market risk in the trading book is measured using VaR and market risk in our banking book is measured using sensitivity analysis on related market factors.

▸ Refer to "Market risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on market risk including our VaR methodology.

### Trading book

Market risks from our trading book relate to our trading activities primarily in Global Markets, Asia Pacific and the Strategic Resolution Unit. We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products. Some of the structured products are customized transactions using combinations of derivatives and are executed to meet specific client or proprietary needs. As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

VaR is a risk measure which quantifies the potential loss on a given portfolio of financial instruments over a certain holding period that is expected to occur at a certain confidence level. VaR is an important tool in risk management and is used for measuring quantifiable risks from our activities exposed to market risk on a daily basis. In addition, VaR is one of the main risk measures for limit monitoring, financial reporting, calculation of regulatory capital and regulatory backtesting.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 2Q16, we improved the methodology we use to capture the difference between a traded credit index and its single-name CDS constituents and enhanced the recognition of credit spread risk by using a more specific corporate bond time series in the US and in Europe. The cumulative impact of these updates on our VaR measures was immaterial and prior periods have not been restated.

We continue to receive regulatory approval for ongoing enhancements to our VaR methodology used for the calculation of regulatory capital, and the model is subject to regular reviews by regulators.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at *www.credit-suisse.com/pillar3*.

The tables entitled "Average one-day, 98% risk management VaR by division" and "One-day, 98% risk management VaR" show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR in Swiss francs and US dollars. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The different risk types are grouped into five categories including interest rate, credit spread, foreign exchange, commodities and equity.

### Average one-day, 98% risk management VaR by division

| in | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Strategic Resolution Unit | Diversification benefit [1] | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **Average risk management VaR (CHF million)** | | | | | | | |
| 2Q16 | 4 | 1 | 16 | 28 | 15 | (31) | 33 |
| 1Q16 | 6 | 1 | 16 | 35 | 23 | (35) | 46 |
| 4Q15 | 6 | 1 | 18 | 45 | 29 | (48) | 51 |
| **Average risk management VaR (USD million)** | | | | | | | |
| 2Q16 | 4 | 1 | 17 | 28 | 15 | (31) | 34 |
| 1Q16 | 6 | 1 | 16 | 36 | 24 | (37) | 46 |
| 4Q15 | 6 | 1 | 18 | 46 | 29 | (49) | 51 |

Excludes risks associated with counterparty and own credit exposures. Investment Banking & Capital Markets has only banking book positions. The calculation of divisional average risk management VaR under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available. Prior periods for the divisions have been restated to reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.

[1] Difference between the sum of the standalone VaR for each division and the VaR for the Group.

## One-day, 98% risk management VaR

| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversification benefit | Total |
|---|---|---|---|---|---|---|---|
| **Risk management VaR (CHF million)** | | | | | | | |
| **2Q16** | | | | | | | |
| Average | 13 | 27 | 8 | 2 | 17 | (34) | 33 |
| Minimum | 9 | 21 | 6 | 2 | 11 | –[1] | 25 |
| Maximum | 16 | 34 | 12 | 3 | 23 | –[1] | 40 |
| End of period | 13 | 21 | 6 | 3 | 12 | (27) | 28 |
| **1Q16** | | | | | | | |
| Average | 15 | 39 | 11 | 2 | 24 | (45) | 46 |
| Minimum | 13 | 32 | 8 | 1 | 17 | –[1] | 35 |
| Maximum | 20 | 44 | 18 | 3 | 38 | –[1] | 65 |
| End of period | 13 | 33 | 8 | 2 | 18 | (36) | 38 |
| **4Q15** | | | | | | | |
| Average | 21 | 35 | 9 | 2 | 25 | (41) | 51 |
| Minimum | 13 | 33 | 6 | 1 | 17 | –[1] | 43 |
| Maximum | 35 | 42 | 12 | 3 | 35 | –[1] | 60 |
| End of period | 17 | 40 | 9 | 1 | 31 | (42) | 56 |
| **Risk management VaR (USD million)** | | | | | | | |
| **2Q16** | | | | | | | |
| Average | 14 | 28 | 8 | 2 | 17 | (35) | 34 |
| Minimum | 9 | 21 | 6 | 2 | 12 | –[1] | 26 |
| Maximum | 17 | 35 | 12 | 3 | 25 | –[1] | 42 |
| End of period | 13 | 22 | 7 | 3 | 12 | (29) | 28 |
| **1Q16** | | | | | | | |
| Average | 15 | 39 | 11 | 2 | 24 | (45) | 46 |
| Minimum | 13 | 33 | 8 | 1 | 18 | –[1] | 36 |
| Maximum | 20 | 44 | 18 | 3 | 38 | –[1] | 65 |
| End of period | 14 | 34 | 8 | 2 | 19 | (37) | 40 |
| **4Q15** | | | | | | | |
| Average | 22 | 35 | 9 | 2 | 25 | (42) | 51 |
| Minimum | 13 | 32 | 6 | 1 | 18 | –[1] | 44 |
| Maximum | 35 | 42 | 12 | 3 | 35 | –[1] | 61 |
| End of period | 17 | 40 | 9 | 1 | 32 | (42) | 57 |

Excludes risks associated with counterparty and own credit exposures.
[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

We measure VaR in US dollars, as a majority of our trading activities are conducted in US dollars.

Average risk management VaR decreased 26% to USD 34 million from 1Q16, mainly driven by lower credit spread risk, reflecting reduced exposures in distressed credit products across credit markets and RMBS and CMBS in the US and in Europe, as well as reduced equity exposures from derivatives in Asia. For the Strategic Resolution Unit, average risk management VaR decreased mainly due to reduced exposures in distressed credit products across credit markets. For Global Markets, the decrease in average risk management VaR was mainly driven by reduced exposures in distressed credit products and RMBS and CMBS in the US and in Europe. For Asia Pacific, the increase in average risk management VaR was primarily driven by increased interest rate exposures in Japan.

Period-end risk management VaR decreased 30% to USD 28 million from 1Q16, mainly driven by lower credit spread risk, reflecting reduced exposures in distressed credit products across credit markets and RMBS and CMBS in the US and in Europe, as well as reduced equity exposures from derivatives in Asia.

The chart entitled “Daily risk management VaR” shows the aggregated market risk in our trading book on a consolidated basis.

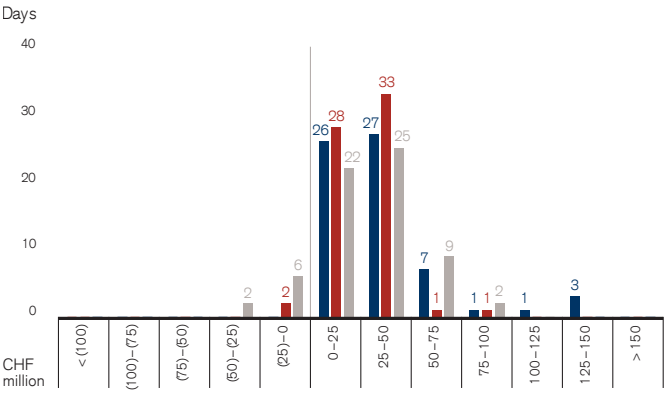
## Daily risk management VaR (rolling four quarters)




— One-day risk management VaR (98%)
Excludes risks associated with counterparty and own credit exposures.

The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 2Q16 with those for 1Q16 and 4Q15. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. We had no trading loss days in 2Q16, compared to two trading loss days in 1Q16 and eight trading loss days in 4Q15.

## Actual daily trading revenues




■ 2Q16 ■ 1Q16 ■ 4Q15
Trading revenues exclude Neue Aargauer Bank AG and valuation adjustments associated with counterparty and own credit exposures.

### VaR backtesting

Various techniques are used to assess the accuracy of the VaR methodology used for risk management and regulatory capital purposes. Backtesting is used to assess the accuracy of the regulatory VaR model. The purpose of the VaR backtesting process is to assess the accuracy and performance of our regulatory VaR model, to assess if our regulatory capital is sufficient to absorb actual losses, and to encourage developments to our VaR model. Backtesting involves comparing the results produced from the VaR model with the actual daily trading revenues and with a subset of the actual daily trading revenues for capital purposes. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period calculated using the subset of the actual daily trading revenues. In the rolling 12-month period through the end of 2Q16, we had three backtesting exceptions in our regulatory VaR model calculated using the subset of actual daily trading revenues. Since there were fewer than five backtesting exceptions in the rolling 12-month period through the end of 2Q16, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

▸ Refer to "Market risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on VaR backtesting.

▸ Refer to "Risk measurement models" in Capital management – Regulatory capital framework for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

### Banking book

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

Interest rate risk on banking book positions is measured by estimating the impact resulting from a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions. The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions would have been an increase of CHF 4.5 million as of the end of 2Q16, compared to an increase of CHF 3.2 million as of the end of 1Q16.

## CREDIT RISK REVIEW

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management. The majority of our credit risk is concentrated in the private banking, corporate and institutional businesses and in the investment banking businesses.

▸ Refer to "Credit risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on credit risk.

▸ Refer to "Credit risk review" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results in the Credit Suisse Annual Report 2015 for further information on credit risk measures.

▸ Refer to "Note 17 – Loans, allowance for loan losses and credit quality" in III – Condensed consolidated financial statements – unaudited for further information on loans and impaired loans.

▸ Refer to "Note 29 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information on counterparty credit risk.

## Loans

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | |
| Mortgages | 98,776 | 4,156 | 1,137 | 0 | 0 | 325 | 104,394 |
| Loans collateralized by securities | 7,160 | 16,898 | 11,808 | 0 | 293 | 226 | 36,385 |
| Consumer finance | 3,039 | 555 | 48 | 22 | 0 | 93 | 3,757 |
| Consumer | 108,975 | 21,609 | 12,993 | 22 | 293 | 644 | 144,536 |
| Real estate | 24,203 | 1,045 | 257 | 233 | 326 | 143 | 26,218 |
| Commercial and industrial loans | 27,202 | 18,055 | 22,091 | 4,639 | 4,764 | 4,416 | 81,240 |
| Financial institutions | 3,991 | 2,306 | 1,536 | 4,452 | 340 | 6,185 | 18,924 |
| Governments and public institutions | 763 | 214 | 985 | 772 | 0 | 1,194 | 3,928 |
| Corporate & institutional | 56,159 [2] | 21,620 [3] | 24,869 | 10,096 | 5,430 | 11,938 | 130,310 |
| **Gross loans** | **165,134** | **43,229** | **37,862** | **10,118** | **5,723** | **12,582** | **274,846** |
| of which held at fair value | 30 | 683 | 5,558 | 6,053 | 2,746 | 5,761 | 20,831 |
| Net (unearned income) / deferred expenses | (3) | (81) | (20) | (9) | (5) | (30) | (148) |
| Allowance for loan losses [4] | (470) | (89) | (29) | (31) | (22) | (222) | (863) |
| **Net loans** | **164,661** | **43,059** | **37,813** | **10,078** | **5,696** | **12,330** | **273,835** |
| **1Q16 (CHF million)** | | | | | | | |
| Mortgages | 98,005 | 4,270 | 1,060 | 0 | 0 | 260 | 103,595 |
| Loans collateralized by securities | 6,977 | 16,215 | 10,705 | 0 | 522 | 649 | 35,068 |
| Consumer finance | 2,898 | 524 | 19 | 26 | 0 | 108 | 3,575 |
| Consumer | 107,880 | 21,009 | 11,784 | 26 | 522 | 1,017 | 142,238 |
| Real estate | 24,314 | 988 | 280 | 664 | 389 | 147 | 26,793 |
| Commercial and industrial loans | 26,310 | 16,765 | 20,970 | 4,560 | 4,145 | 4,805 | 77,627 |
| Financial institutions | 4,107 | 1,373 | 1,456 | 6,629 | 1,250 | 5,774 | 20,672 |
| Governments and public institutions | 783 | 211 | 955 | 761 | 0 | 1,330 | 4,040 |
| Corporate & institutional | 55,514 [2] | 19,337 [3] | 23,661 | 12,614 | 5,784 | 12,056 | 129,132 |
| **Gross loans** | **163,394** | **40,346** | **35,445** | **12,640** | **6,306** | **13,073** | **271,370** |
| of which held at fair value | 185 | 194 | 4,875 | 7,194 | 3,107 | 5,966 | 21,521 |
| Net (unearned income) / deferred expenses | 21 | (103) | (32) | (14) | (6) | (26) | (160) |
| Allowance for loan losses [4] | (474) | (72) | (29) | (40) | (23) | (324) | (962) |
| **Net loans** | **162,941** | **40,171** | **35,384** | **12,586** | **6,277** | **12,723** | **270,248** |
| **4Q15 (CHF million)** | | | | | | | |
| Mortgages | 97,529 | 4,080 | 1,039 | 0 | 0 | 516 | 103,164 |
| Loans collateralized by securities | 7,799 | 16,748 | 11,184 | 0 | 554 | 1,661 | 37,946 |
| Consumer finance | 2,971 | 434 | 29 | 28 | 1 | 303 | 3,766 |
| Consumer | 108,299 | 21,262 | 12,252 | 28 | 555 | 2,480 | 144,876 |
| Real estate | 23,499 | 877 | 321 | 659 | 482 | 601 | 26,451 |
| Commercial and industrial loans | 26,549 | 16,627 | 21,220 | 5,061 | 3,056 | 5,185 | 77,767 |
| Financial institutions | 4,031 | 1,393 | 1,606 | 7,306 | 1,199 | 5,756 | 21,334 |
| Governments and public institutions | 831 | 82 | 585 | 694 | 0 | 1,386 | 3,578 |
| Corporate & institutional | 54,910 [2] | 18,979 [3] | 23,732 | 13,720 | 4,737 | 12,928 | 129,130 |
| **Gross loans** | **163,209** | **40,241** | **35,984** | **13,748** | **5,292** | **15,408** | **274,006** |
| of which held at fair value | 81 | 202 | 4,724 | 7,329 | 2,298 | 6,186 | 20,820 |
| Net (unearned income) / deferred expenses | 7 | (82) | (29) | (13) | (6) | (22) | (145) |
| Allowance for loan losses [4] | (499) | (75) | (50) | (35) | (6) | (201) | (866) |
| **Net loans** | **162,717** | **40,084** | **35,905** | **13,700** | **5,280** | **15,185** | **272,995** |

Prior periods for the divisions have been restated and reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.

[1] Includes the Corporate Center, in addition to the divisions disclosed.

[2] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 43,920 million, CHF 42,879 million and CHF 42,816 million as of the end of 2Q16, 1Q16 and 4Q15, respectively.

[3] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 17,454 million, CHF 16,610 million and CHF 16,862 million as of the end of 2Q16, 1Q16 and 4Q15, respectively.

[4] Allowance for loan losses are only based on loans which are not carried at fair value.

### Loans

Compared to the end of 1Q16, gross loans increased CHF 3.5 billion to CHF 274.8 billion as of the end of 2Q16, mainly driven by higher commercial and industrial loans, higher loans collateralized by securities and higher residential mortgages, partially offset by lower loans to financial institutions and lower loans to the real estate sector. The net increase of CHF 3.6 billion in commercial and industrial loans was driven by International Wealth Management, Asia Pacific, Swiss Universal Bank and Investment Banking & Capital Markets, partially offset by the Strategic Resolution Unit. The net increase of CHF 1.3 billion in loans collateralized by securities was driven by Asia Pacific and International Wealth Management, partially offset by the Strategic Resolution Unit and Investment Banking & Capital Markets. Residential mortgages increased CHF 0.8 billion, primarily in Swiss Universal Bank. Loans to financial institutions decreased CHF 1.7 billion, primarily in Global Markets and Investment Banking & Capital Markets, partially offset by International Wealth Management and the Strategic Resolution Unit. Loans to the real estate sector decreased CHF 0.6 billion, primarily in Global Markets. The US dollar translation impact on gross loans was positive across all divisions.

On a divisional level, increases in gross loans of CHF 2.9 billion in International Wealth Management, CHF 2.4 billion in Asia Pacific and CHF 1.7 billion in Swiss Universal Bank were partially offset by decreases of CHF 2.5 billion in Global Markets, CHF 0.6 billion in Investment Banking & Capital Markets and CHF 0.5 billion in the Strategic Resolution Unit.

## Impaired loans

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | |
| Non-performing loans | 429 | 229 | 183 | 8 | 0 | 577 | 1,426 |
| Non-interest-earning loans | 174 | 16 | 2 | 0 | 0 | 12 | 204 |
| Non-performing and non-interest-earning loans | 603 | 245 | 185 | 8 | 0 | 589 | 1,630 |
| Restructured loans | 34 | 86 | 16 | 0 | 0 | 121 | 257 |
| Potential problem loans | 157 | 37 | 4 | 9 | 0 | 210 | 417 |
| Other impaired loans | 191 | 123 | 20 | 9 | 0 | 331 | 674 |
| **Gross impaired loans** [2] | **794** | **368** | **205** | **17** | **0** | **920** | **2,304** |
| of which loans with a specific allowance | 696 | 180 | 183 | 17 | 0 | 675 | 1,751 |
| of which loans without a specific allowance | 98 | 188 | 22 | 0 | 0 | 245 | 553 |
| **1Q16 (CHF million)** | | | | | | | |
| Non-performing loans | 413 | 162 | 174 | 15 | 3 | 279 | 1,046 |
| Non-interest-earning loans | 165 | 30 | 2 | 0 | 0 | 36 | 233 |
| Total non-performing and non-interest-earning loans | 578 | 192 | 176 | 15 | 3 | 315 | 1,279 |
| Restructured loans | 38 | 49 | 9 | 0 | 0 | 192 | 288 |
| Potential problem loans | 141 | 88 | 8 | 8 | 0 | 400 | 645 |
| Total other impaired loans | 179 | 137 | 17 | 8 | 0 | 592 | 933 |
| **Gross impaired loans** [2] | **757** | **329** | **193** | **23** | **3** | **907** | **2,212** |
| of which loans with a specific allowance | 679 | 144 | 174 | 23 | 3 | 825 | 1,848 |
| of which loans without a specific allowance | 78 | 185 | 19 | 0 | 0 | 82 | 364 |
| **4Q15 (CHF million)** | | | | | | | |
| Non-performing loans | 414 | 94 | 205 | 26 | 2 | 242 | 983 |
| Non-interest-earning loans | 201 | 33 | 3 | 0 | 0 | 35 | 272 |
| Non-performing and non-interest-earning loans | 615 | 127 | 208 | 26 | 2 | 277 | 1,255 |
| Restructured loans | 44 | 52 | 10 | 0 | 0 | 176 | 282 |
| Potential problem loans | 136 | 73 | 11 | 9 | 0 | 207 | 436 |
| Other impaired loans | 180 | 125 | 21 | 9 | 0 | 383 | 718 |
| **Gross impaired loans** [2] | **795** | **252** | **229** | **35** | **2** | **660** | **1,973** |
| of which loans with a specific allowance | 729 | 148 | 227 | 35 | 2 | 469 | 1,610 |
| of which loans without a specific allowance | 66 | 104 | 2 | 0 | 0 | 191 | 363 |

Prior periods for the divisions have been restated and reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.
[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] Impaired loans are only based on loans which are not carried at fair value.

### Impaired loans

Compared to the end of 1Q16, gross impaired loans increased CHF 92 million to CHF 2.3 billion as of the end of 2Q16, mainly reflecting higher non-performing loans, driven by downgrades of potential problem loans and new impairments in the Strategic Resolution Unit and International Wealth Management. These increases in gross impaired loans were partially offset by repayments, upgrades to performing loans and write-offs.

On a divisional level, the increase in gross impaired loans compared to the end of 1Q16 was primarily driven by International Wealth Management, Swiss Universal Bank, the Strategic Resolution Unit and Asia Pacific. In International Wealth Management, gross impaired loans increased CHF 39 million, primarily driven by ship finance exposures in the dry bulk segment and a newly impaired lombard loan. In Swiss Universal Bank, gross impaired loans increased CHF 37 million, primarily driven by private and wealth management clients and small and medium-sized enterprises in Switzerland. In the Strategic Resolution Unit, gross impaired loans increased CHF 13 million, primarily driven by newly impaired ship finance and oil and gas-related exposures. The volume of new impairments in the energy sector slowed as crude oil prices improved significantly in 2Q16. In Asia Pacific, gross impaired loans increased CHF 12 million, including a newly impaired aviation lease exposure.

## Allowance for loan losses

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | |
| **Allowance for loan losses at beginning of period** [2, 3] | **474** | **72** | **29** | **40** | **23** | **324** | **962** |
| of which individually evaluated for impairment | 341 | 40 | 15 | 15 | 0 | 313 | 724 |
| of which collectively evaluated for impairment | 133 | 32 | 14 | 25 | 23 | 11 | 238 |
| Net movements recognized in statements of operations | 18 | 18 | (3) | (5) | (2) | (39) | (13) |
| Gross write-offs | (25) | (3) | 0 | (5) | 0 | (75) | (108) |
| Recoveries | 4 | 1 | 0 | 0 | 0 | 6 | 11 |
| Net write-offs | (21) | (2) | 0 | (5) | 0 | (69) | (97) |
| Provisions for interest | 1 | 1 | 2 | 0 | (1) | 1 | 4 |
| Foreign currency translation impact and other adjustments, net | (2) | 0 | 1 | 1 | 2 | 5 | 7 |
| **Allowance for loan losses at end of period** [2] | **470** | **89** | **29** | **31** | **22** | **222** | **863** |
| of which individually evaluated for impairment | 323 | 56 | 21 | 8 | 0 | 215 | 623 |
| of which collectively evaluated for impairment | 147 | 33 | 8 | 23 | 22 | 7 | 240 |
| **6M16 (CHF million)** | | | | | | | |
| **Allowance for loan losses at beginning of period** [2, 3] | **499** | **75** | **50** | **35** | **6** | **201** | **866** |
| of which individually evaluated for impairment | 366 | 43 | 38 | 15 | 0 | 188 | 650 |
| of which collectively evaluated for impairment | 133 | 32 | 12 | 20 | 6 | 13 | 216 |
| Net movements recognized in statements of operations | 29 | 14 | (25) | 4 | 16 | 75 | 113 |
| Gross write-offs | (59) | (3) | 0 | (8) | 0 | (77) | (147) |
| Recoveries | 6 | 2 | 1 | 0 | 1 | 24 | 34 |
| Net write-offs | (53) | (1) | 1 | (8) | 1 | (53) | (113) |
| Provisions for interest | 0 | 1 | 4 | 0 | 0 | 1 | 6 |
| Foreign currency translation impact and other adjustments, net | (5) | 0 | (1) | 0 | (1) | (2) | (9) |
| **Allowance for loan losses at end of period** [2] | **470** | **89** | **29** | **31** | **22** | **222** | **863** |
| of which individually evaluated for impairment | 323 | 56 | 21 | 8 | 0 | 215 | 623 |
| of which collectively evaluated for impairment | 147 | 33 | 8 | 23 | 22 | 7 | 240 |

[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] Allowance for loan losses are only based on loans which are not carried at fair value.
[3] Prior periods for the divisions have been restated and reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.

## Loan metrics

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **2Q16 (%)** | | | | | | | |
| Non-performing and non-interest-earning loans / Gross loans [2] | 0.4 | 0.6 | 0.6 | 0.2 | 0.0 | 8.6 | 0.6 |
| Gross impaired loans / Gross loans [2] | 0.5 | 0.9 | 0.6 | 0.4 | 0.0 | 13.5 | 0.9 |
| Allowance for loan losses / Gross loans [2, 3] | 0.3 | 0.2 | 0.1 | 0.8 | 0.7 | 3.3 | 0.3 |
| Specific allowance for loan losses / Gross impaired loans [2, 3] | 40.7 | 15.2 | 10.2 | 47.1 | – | 23.4 | 27.0 |
| **1Q16 (%)** | | | | | | | |
| Total non-performing and non-interest-earning loans / Gross loans [2] | 0.4 | 0.5 | 0.6 | 0.3 | 0.1 | 4.4 | 0.5 |
| Gross impaired loans / Gross loans [2] | 0.5 | 0.8 | 0.6 | 0.4 | 0.1 | 12.8 | 0.9 |
| Allowance for loan losses / Gross loans [2, 3] | 0.3 | 0.2 | 0.1 | 0.7 | 0.7 | 4.6 | 0.4 |
| Specific allowance for loan losses / Gross impaired loans [2, 3] | 45.0 | 12.2 | 7.8 | 65.2 | 0.0 | 34.5 | 32.7 |
| **4Q15 (%)** | | | | | | | |
| Non-performing and non-interest-earning loans / Gross loans [2] | 0.4 | 0.3 | 0.7 | 0.4 | 0.1 | 3.0 | 0.5 |
| Gross impaired loans / Gross loans [2] | 0.5 | 0.6 | 0.7 | 0.5 | 0.1 | 7.2 | 0.8 |
| Allowance for loan losses / Gross loans [2, 3] | 0.3 | 0.2 | 0.1 | 0.6 | 0.8 | 3.5 | 0.4 |
| Specific allowance for loan losses / Gross impaired loans [2, 3] | 42.9 | 15.9 | 6.6 | 42.9 | 0.0 | 47.4 | 36.7 |

Prior periods for the divisions have been restated and reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.
[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] Excludes loans carried at fair value.
[3] Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.

## SELECTED EUROPEAN CREDIT RISK EXPOSURES

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion.

▸ Refer to "Selected European credit risk exposures" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results in the Credit Suisse Annual Report 2015 for further information on selected European credit risk exposures.

### Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our overall risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses of our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our over-the-counter (OTC) derivative and reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from G7 and non-G7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

### Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Cyprus, Croatia, Greece, Ireland, Italy, Malta, Portugal and Spain as of the end of 2Q16 was EUR 3,528 million, 9% lower compared to EUR 3,870 million as of the end of 1Q16. Our net exposure to these sovereigns was EUR 535 million, 46% lower compared to EUR 997 million as of the end of 1Q16. Our non-sovereign risk-based credit risk exposure in these countries as of the end of 2Q16 included net exposure to financial institutions of EUR 2,802 million and to corporates and other counterparties of EUR 1,192 million, 4% lower compared to EUR 2,913 million and 8% higher compared to EUR 1,106 million, respectively, as of the end of 1Q16.

▸ Refer to "Selected European credit risk exposures" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results in the Credit Suisse Annual Report 2015 for further information on the presentation of selected European credit risk exposures.

### Sovereign debt rating developments

In 2Q16, the long-term sovereign debt ratings of the countries listed in the table were affected as follows: Moody's increased Ireland's rating from Baa1 to A3. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

## Selected European credit risk exposures

| | Gross credit risk exposure | Risk mitigation | | Net credit risk exposure | Inventory [2] | | Total credit risk exposure | |
|---|---|---|---|---|---|---|---|---|
| **end of 2Q16** | | CDS | Other [1] | | | Net synthetic inventory [3] | **Gross** | **Net** |
| **Croatia (EUR million)** | | | | | | | | |
| Sovereign | 217 | 35 | 158 | 24 | 0 | (97) | 217 | 24 |
| Financial institutions | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 1 |
| Corporates & other | 50 | 0 | 0 | 50 | 0 | 0 | 50 | 50 |
| **Total** | **267** | **35** | **158** | **74** | **1** | **(97)** | **268** | **75** |
| **Cyprus (EUR million)** | | | | | | | | |
| Financial institutions | 12 | 0 | 9 | 3 | 0 | 0 | 12 | 3 |
| Corporates & other | 1,253 | 0 | 1,231 | 22 | 0 | 0 | 1,253 | 22 |
| **Total** | **1,265** | **0** | **1,240** | **25** | **0** | **0** | **1,265** | **25** |
| **Greece (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 |
| Financial institutions | 114 | 0 | 113 | 1 | 0 | 0 | 114 | 1 |
| Corporates & other | 1,018 | 0 | 994 | 24 | 15 | (21) | 1,033 | 39 |
| **Total** | **1,132** | **0** | **1,107** | **25** | **15** | **(15)** | **1,147** | **40** |
| **Ireland (EUR million)** | | | | | | | | |
| Sovereign | 7 | 0 | 0 | 7 | 0 | (9) | 7 | 7 |
| Financial institutions | 1,635 | 11 | 523 | 1,101 | 187 | (73) | 1,822 | 1,288 |
| Corporates & other | 929 | 104 | 639 | 186 | 9 | (171) | 938 | 195 |
| **Total** | **2,571** | **115** | **1,162** | **1,294** | **196** | **(253)** | **2,767** | **1,490** |
| **Italy (EUR million)** | | | | | | | | |
| Sovereign | 3,241 | 2,592 | 208 | 441 | 0 | (1,441) | 3,241 | 441 |
| Financial institutions | 1,513 | 1 | 914 | 598 | 57 | 32 | 1,570 | 655 |
| Corporates & other | 3,044 | 126 | 2,518 | 400 | 63 | (105) | 3,107 | 463 |
| **Total** | **7,798** | **2,719** | **3,640** | **1,439** | **120** | **(1,514)** | **7,918** | **1,559** |
| **Malta (EUR million)** | | | | | | | | |
| Financial institutions | 39 | 0 | 0 | 39 | 0 | 0 | 39 | 39 |
| Corporates & other | 542 | 0 | 542 | 0 | 0 | 0 | 542 | 0 |
| **Total** | **581** | **0** | **542** | **39** | **0** | **0** | **581** | **39** |
| **Portugal (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 35 | 30 | 35 | 35 |
| Financial institutions | 179 | 0 | 174 | 5 | 1 | (3) | 180 | 6 |
| Corporates & other | 198 | 0 | 115 | 83 | 15 | (31) | 213 | 98 |
| **Total** | **377** | **0** | **289** | **88** | **51** | **(4)** | **428** | **139** |
| **Spain (EUR million)** | | | | | | | | |
| Sovereign | 28 | 0 | 0 | 28 | 0 | (14) | 28 | 28 |
| Financial institutions | 1,430 | 1 | 621 | 808 | 1 | (137) | 1,431 | 809 |
| Corporates & other | 1,614 | 0 | 1,320 | 294 | 31 | (105) | 1,645 | 325 |
| **Total** | **3,072** | **1** | **1,941** | **1,130** | **32** | **(256)** | **3,104** | **1,162** |
| **Total (EUR million)** | | | | | | | | |
| Sovereign | 3,493 | 2,627 | 366 | 500 | 35 | (1,525) | 3,528 | 535 |
| Financial institutions | 4,922 | 13 | 2,354 | 2,555 | 247 | (181) | 5,169 | 2,802 |
| Corporates & other | 8,648 | 230 | 7,359 | 1,059 | 133 | (433) | 8,781 | 1,192 |
| **Total** | **17,063** | **2,870** | **10,079** | **4,114** | **415** | **(2,139)** | **17,478** | **4,529** |

[1] Includes other hedges (derivative instruments), guarantees, insurance and collateral.
[2] Represents long inventory positions netted at issuer level.
[3] Substantially all of which results from CDS; represents long positions net of short positions.

# Balance sheet and off-balance sheet

Total assets were CHF 821.2 billion, total liabilities were CHF 775.8 billion and total equity was CHF 45.3 billion. Total assets increased 1% and total liabilities increased 1% for the quarter, reflecting the foreign exchange translation impact, partially offset by lower operating activities. The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

## BALANCE SHEET

Total assets were CHF 821.2 billion as of the end of 2Q16, an increase of CHF 7.3 billion, or 1%, from the end of 1Q16, reflecting the foreign exchange translation impact, partially offset by lower operating activities. Excluding the foreign exchange translation impact, total assets decreased CHF 3.6 billion.

Compared to the end of 1Q16, cash and due from banks increased CHF 19.8 billion, or 21%, mainly driven by higher cash positions at the Fed and the foreign exchange translation impact. Brokerage receivables increased CHF 6.6 billion, or 19%, mainly driven by an increase in failed settlements and the foreign exchange translation impact. Net loans increased CHF 3.6 billion, or 1%, mainly driven by higher commercial and industrial loans, higher loans collateralized by securities, higher residential mortgages and the foreign exchange translation impact, partially offset by lower loans to financial institutions and lower loans in the real estate sector. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions decreased CHF 14.1 billion, or 10%, mainly driven by a decrease in reverse repurchase transactions with customers, a decrease in cash collateral on stock borrowing to customers and banks, partially offset by the foreign exchange translation impact. Trading assets decreased CHF 9.9 billion, or 5%, mainly due to lower debt and equity securities, partially offset by the foreign exchange translation impact. All other assets increased CHF 1.3 billion, or 1%, mainly reflecting an increase in other assets related to cash collateral on derivative instruments and the foreign exchange translation impact.

### Balance sheet summary

| | | | end of | % change | |
|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 4Q15 | QoQ | Ytd |
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 114,049 | 94,210 | 92,328 | 21 | 24 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 122,068 | 136,211 | 123,049 | (10) | (1) |
| Trading assets | 177,619 | 187,550 | 190,737 | (5) | (7) |
| Net loans | 273,835 | 270,248 | 272,995 | 1 | 0 |
| Brokerage receivables | 42,108 | 35,504 | 34,542 | 19 | 22 |
| All other assets | 91,485 | 90,175 | 107,154 | 1 | (15) |
| **Total assets** | **821,164** | **813,898** | **820,805** | 1 | 0 |
| **Liabilities and equity (CHF million)** | | | | | |
| Due to banks | 23,229 | 23,961 | 21,054 | (3) | 10 |
| Customer deposits | 347,559 | 344,545 | 342,705 | 1 | 1 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 32,499 | 40,150 | 46,598 | (19) | (30) |
| Trading liabilities | 51,682 | 53,582 | 48,971 | (4) | 6 |
| Long-term debt | 200,226 | 183,490 | 197,608 | 9 | 1 |
| Brokerage payables | 43,944 | 41,880 | 39,452 | 5 | 11 |
| All other liabilities | 76,696 | 80,843 | 79,399 | (5) | (3) |
| **Total liabilities** | **775,835** | **768,451** | **775,787** | 1 | 0 |
| **Total shareholders' equity** | **44,962** | **44,997** | **44,382** | 0 | 1 |
| Noncontrolling interests | 367 | 450 | 636 | (18) | (42) |
| **Total equity** | **45,329** | **45,447** | **45,018** | 0 | 1 |
| **Total liabilities and equity** | **821,164** | **813,898** | **820,805** | 1 | 0 |

Total liabilities were CHF 775.8 billion as of the end of 2Q16, an increase of CHF 7.4 billion, or 1%, from the end of 1Q16, reflecting the foreign exchange translation impact, partially offset by lower operating activities. Excluding the foreign exchange translation impact, total liabilities decreased CHF 2.5 billion.

Compared to the end of 1Q16, long-term debt increased CHF 16.7 billion, or 9%, primarily driven by the issuances of senior debt and the foreign exchange translation impact, partially offset by maturities. Customer deposits increased CHF 3.0 billion, or 1%, mainly driven by higher transaction accounts, corporate accounts, fiduciary deposits, time and demand deposits and the foreign exchange translation impact, mostly offset by a decrease in certificates of deposits. Brokerage payables increased by CHF 2.1 billion, or 5%, mainly reflecting an increase in failed settlements and the foreign exchange translation impact. Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions decreased CHF 7.7 billion, or 19%, mainly driven by a decrease in repurchase transactions with customers and banks, partially offset by the foreign exchange translation impact. Trading liabilities decreased CHF 1.9 billion, or 4%, mainly reflecting a decrease in short positions, partially offset by an increase in derivatives and the foreign exchange translation impact. Due to banks decreased CHF 0.7 billion, or 3%, mainly driven by an decrease in deposits with banks and a decrease in demand sweep deposits. All other liabilities decreased CHF 4.1 billion, or 5%, mainly reflecting a decrease in short-term borrowings, partially offset by the foreign exchange translation impact.

▸ Refer to “Funding sources and uses” in Liquidity and funding management and “Capital management” for further information, including our funding of the balance sheet and the leverage ratio.

## OFF-BALANCE SHEET

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with special purpose entities (SPEs), and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

▸ Refer to “Liquidity and funding management” in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 and “Note 27 – Guarantees and commitments” and “Note 31 – Litigation” in III – Condensed consolidated financial statements – unaudited for further information.

III

# Condensed consolidated financial statements – unaudited

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## Notes to the condensed consolidated financial statements – unaudited


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Report of Independent Registered Public Accounting Firm to the Board of Directors of

**Credit Suisse Group AG, Zurich**

We have reviewed the accompanying condensed consolidated balance sheets of Credit Suisse Group AG and subsidiaries (the "Group") as of June 30, 2016 and 2015, the related condensed consolidated statements of operations, changes in equity and comprehensive income for the three and six-month periods ended June 30, 2016 and 2015, and the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2016 and 2015. These condensed consolidated financial statements are the responsibility of the Group's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Group as of December 31, 2015, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated March 24, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG AG

Nicholas Edmonds
*Licensed Audit Expert*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
July 28, 2016

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# Condensed consolidated financial statements – unaudited

## Consolidated statements of operations (unaudited)

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | | |
| Interest and dividend income | 4,757 | 4,585 | 5,903 | 9,342 | 10,393 |
| Interest expense | (2,758) | (2,574) | (3,034) | (5,332) | (5,372) |
| Net interest income | 1,999 | 2,011 | 2,869 | 4,010 | 5,021 |
| Commissions and fees | 2,796 | 2,675 | 3,259 | 5,471 | 6,238 |
| Trading revenues | 94 | (271) | 498 | (177) | 1,888 |
| Other revenues | 219 | 223 | 329 | 442 | 455 |
| **Net revenues** | **5,108** | **4,638** | **6,955** | **9,746** | **13,602** |
| **Provision for credit losses** | **(28)** | **150** | **51** | **122** | **81** |
| Compensation and benefits | 2,734 | 2,482 | 2,914 | 5,216 | 5,890 |
| General and administrative expenses | 1,760 | 1,848 | 1,928 | 3,608 | 3,666 |
| Commission expenses | 352 | 387 | 406 | 739 | 798 |
| Restructuring expenses | 91 | 255 | – | 346 | – |
| Total other operating expenses | 2,203 | 2,490 | 2,334 | 4,693 | 4,464 |
| **Total operating expenses** | **4,937** | **4,972** | **5,248** | **9,909** | **10,354** |
| **Income/(loss) before taxes** | **199** | **(484)** | **1,656** | **(285)** | **3,167** |
| Income tax expense/(benefit) | 21 | (179) | 590 | (158) | 1,067 |
| **Net income/(loss)** | **178** | **(305)** | **1,066** | **(127)** | **2,100** |
| Net income/(loss) attributable to noncontrolling interests | 8 | (3) | 15 | 5 | (5) |
| **Net income/(loss) attributable to shareholders** | **170** | **(302)** | **1,051** | **(132)** | **2,105** |
| **Earnings/(loss) per share (CHF)** | | | | | |
| Basic earnings/(loss) per share | 0.08 | (0.15) | 0.61 | (0.07) | 1.23 |
| Diluted earnings/(loss) per share | 0.08 | (0.15) | 0.59 | (0.07) | 1.20 |

## Consolidated statements of comprehensive income (unaudited)

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Comprehensive income/(loss) (CHF million)** | | | | | |
| Net income/(loss) | 178 | (305) | 1,066 | (127) | 2,100 |
| Gains/(losses) on cash flow hedges | 20 | 46 | 31 | 66 | 39 |
| Foreign currency translation | 345 | (855) | (1,053) | (510) | (2,546) |
| Unrealized gains/(losses) on securities | 2 | 5 | (12) | 7 | (2) |
| Actuarial gains/(losses) | 82 | 105 | 92 | 187 | 181 |
| Net prior service credit/(cost) | (25) | (28) | (22) | (53) | (43) |
| Gains/(losses) on liabilities related to credit risk | (69) | 1,266 | – | 1,197 | – |
| Other comprehensive income/(loss), net of tax | 355 | 539 | (964) | 894 | (2,371) |
| **Comprehensive income/(loss)** | **533** | **234** | **102** | **767** | **(271)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 22 | (21) | (15) | 1 | (59) |
| **Comprehensive income/(loss) attributable to shareholders** | **511** | **255** | **117** | **766** | **(212)** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited)

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | 114,049 | 94,210 | 92,328 |
| of which reported at fair value | 318 | 193 | 89 |
| of which reported from consolidated VIEs | 489 | 314 | 1,693 |
| Interest-bearing deposits with banks | 820 | 868 | 867 |
| of which reported at fair value | 0 | 2 | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 122,068 | 136,211 | 123,049 |
| of which reported at fair value | 79,927 | 92,788 | 83,565 |
| of which reported from consolidated VIEs | 0 | 0 | 53 |
| Securities received as collateral, at fair value | 25,993 | 25,760 | 28,511 |
| of which encumbered | 22,046 | 21,377 | 27,940 |
| Trading assets, at fair value | 177,619 | 187,550 | 190,737 |
| of which encumbered | 58,393 | 59,810 | 62,559 |
| of which reported from consolidated VIEs | 3,475 | 3,144 | 2,372 |
| Investment securities | 2,611 | 3,143 | 3,090 |
| of which reported at fair value | 2,611 | 3,143 | 3,090 |
| of which reported from consolidated VIEs | 544 | 1,066 | 1,009 |
| Other investments | 6,149 | 6,294 | 7,021 |
| of which reported at fair value | 3,587 | 3,646 | 4,237 |
| of which reported from consolidated VIEs | 1,955 | 2,175 | 1,986 |
| Net loans | 273,835 | 270,248 | 272,995 |
| of which reported at fair value | 20,831 | 21,521 | 20,820 |
| of which encumbered | 111 | 108 | 108 |
| of which reported from consolidated VIEs | 360 | 353 | 1,312 |
| allowance for loan losses | (863) | (962) | (866) |
| Premises and equipment | 4,693 | 4,609 | 4,644 |
| of which reported from consolidated VIEs | 282 | 288 | 327 |
| Goodwill | 4,745 | 4,688 | 4,808 |
| Other intangible assets | 191 | 186 | 196 |
| of which reported at fair value | 111 | 106 | 112 |
| Brokerage receivables | 42,108 | 35,504 | 34,542 |
| Other assets | 46,283 | 44,627 | 58,017 |
| of which reported at fair value | 13,439 | 13,308 | 25,627 |
| of which encumbered | 50 | 421 | 671 |
| of which reported from consolidated VIEs | 2,503 | 3,778 | 14,451 |
| **Total assets** | **821,164** | **813,898** | **820,805** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited) (continued)

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 23,229 | 23,961 | 21,054 |
| of which reported at fair value | 514 | 499 | 482 |
| Customer deposits | 347,559 | 344,545 | 342,705 |
| of which reported at fair value | 3,908 | 3,529 | 3,663 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 32,499 | 40,150 | 46,598 |
| of which reported at fair value | 18,114 | 25,421 | 32,398 |
| Obligation to return securities received as collateral, at fair value | 25,993 | 25,760 | 28,511 |
| Trading liabilities, at fair value | 51,682 | 53,582 | 48,971 |
| of which reported from consolidated VIEs | 137 | 22 | 27 |
| Short-term borrowings | 11,178 | 14,768 | 8,657 |
| of which reported at fair value | 2,996 | 3,185 | 3,112 |
| of which reported from consolidated VIEs | 1 | 34 | 81 |
| Long-term debt | 200,226 | 183,490 | 197,608 |
| of which reported at fair value | 73,922 | 69,104 | 80,931 |
| of which reported from consolidated VIEs | 1,780 | 2,147 | 14,826 |
| Brokerage payables | 43,944 | 41,880 | 39,452 |
| Other liabilities | 39,525 | 40,315 | 42,231 |
| of which reported at fair value | 10,104 | 10,867 | 11,754 |
| of which reported from consolidated VIEs | 241 | 1,115 | 836 |
| **Total liabilities** | **775,835** | **768,451** | **775,787** |
| Common shares | 84 | 78 | 78 |
| Additional paid-in capital | 31,702 | 32,318 | 31,925 |
| Retained earnings | 28,532 | 28,362 | 29,139 |
| Treasury shares, at cost | (94) | (158) | (125) |
| Accumulated other comprehensive income/(loss) | (15,262) | (15,603) | (16,635) |
| **Total shareholders' equity** | **44,962** | **44,997** | **44,382** |
| Noncontrolling interests | 367 | 450 | 636 |
| **Total equity** | **45,329** | **45,447** | **45,018** |
| **Total liabilities and equity** | **821,164** | **813,898** | **820,805** |

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Additional share information** | | | |
| Par value (CHF) | 0.04 | 0.04 | 0.04 |
| Authorized shares [1] | 2,797,379,244 | 2,666,152,845 | 2,666,152,845 |
| Common shares issued | 2,089,897,378 | 1,957,379,244 | 1,957,379,244 |
| Treasury shares | (8,533,613) | (10,939,863) | (5,910,224) |
| Shares outstanding | 2,081,363,765 | 1,946,439,381 | 1,951,469,020 |

[1] Includes issued shares and unissued shares (conditional, conversion and authorized capital).

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Noncontrolling interests | **Total equity** |
| **2Q16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **78** | **32,318** | **28,362** | **(158)** | **(15,603)** | **44,997** | **450** | **45,447** |
| Purchase of subsidiary shares from noncontrolling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (53) | (53) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 13 | 13 |
| Net income/(loss) | – | – | 170 | – | – | 170 | 8 | 178 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 341 | 341 | 14 | 355 |
| Issuance of common shares | 6 | 1,661 | – | – | – | 1,667 | – | 1,667 |
| Sale of treasury shares | – | 29 | – | 6,192 | – | 6,221 | – | 6,221 |
| Repurchase of treasury shares | – | – | – | (6,254) | – | (6,254) | – | (6,254) |
| Share-based compensation, net of tax | – | (766) [3] | – | 126 | – | (640) | – | (640) |
| Financial instruments indexed to own shares [4] | – | (81) | – | – | – | (81) | – | (81) |
| Dividends paid | – | (1,435) [5] | – | – | – | (1,435) | – | (1,435) |
| Change in scope of consolidation, net | – | – | – | – | – | – | (36) | (36) |
| Other | – | (24) | – | – | – | (24) | (29) | (53) |
| **Balance at end of period** | **84** | **31,702** | **28,532** | **(94)** | **(15,262)** | **44,962** | **367** | **45,329** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax charge of CHF (146) million from the excess recognized compensation expense over fair value of shares delivered.
[4] Includes certain call options the Group purchased on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
[5] Paid out of reserves from capital contributions.

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **1Q16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **78** | **31,925** | **29,139** | **(125)** | **(16,635)** | **44,382** | **636** | **45,018** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (10) | (10) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 64 | 64 |
| Net income/(loss) | – | – | (302) | – | – | (302) | (3) | (305) |
| Cumulative effect of accounting changes, net of tax | – | – | (475) | – | 475 | – | – | – |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 557 | 557 | (18) | 539 |
| Sale of treasury shares | – | (65) | – | 3,002 | – | 2,937 | – | 2,937 |
| Repurchase of treasury shares | – | – | – | (3,047) | – | (3,047) | – | (3,047) |
| Share-based compensation, net of tax | – | 483 | – | 12 | – | 495 | – | 495 |
| Financial instruments indexed to own shares | – | (27) | – | – | – | (27) | – | (27) |
| Change in scope of consolidation, net | – | – | – | – | – | – | (219) | (219) |
| Other | – | 2 | – | – | – | 2 | – | 2 |
| **Balance at end of period** | **78** | **32,318** | **28,362** | **(158)** | **(15,603)** | **44,997** | **450** | **45,447** |
| **2Q15 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,589** | **33,137** | **(1,008)** | **(16,386)** | **43,396** | **889** | **44,285** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (92) | (92) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 30 | 30 |
| Net income/(loss) | – | – | 1,051 | – | – | 1,051 | 15 | 1,066 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (934) | (934) | (30) | (964) |
| Issuance of common shares | 1 | 710 | – | – | – | 711 | – | 711 |
| Sale of treasury shares | – | 7 | – | 5,605 | – | 5,612 | – | 5,612 |
| Repurchase of treasury shares | – | – | – | (5,719) | – | (5,719) | – | (5,719) |
| Share-based compensation, net of tax | – | (1,233) | – | 971 | – | (262) | – | (262) |
| Financial instruments indexed to own shares | – | (76) | – | – | – | (76) | – | (76) |
| Dividends paid | – | (1,137) | – | – | – | (1,137) | – | (1,137) |
| Change in scope of consolidation, net | – | – | – | – | – | – | 6 | 6 |
| **Balance at end of period** | **65** | **25,860** | **34,188** | **(151)** | **(17,320)** | **42,642** | **818** | **43,460** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **6M16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **78** | **31,925** | **29,139** | **(125)** | **(16,635)** | **44,382** | **636** | **45,018** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (63) | (63) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 77 | 77 |
| Net income/(loss) | – | – | (132) | – | – | (132) | 5 | (127) |
| Cumulative effect of accounting changes, net of tax | – | – | (475) | – | 475 | – | – | – |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 898 | 898 | (4) | 894 |
| Issuance of common shares | 6 | 1,661 | – | – | – | 1,667 | – | 1,667 |
| Sale of treasury shares | – | (36) | – | 9,194 | – | 9,158 | – | 9,158 |
| Repurchase of treasury shares | – | – | – | (9,301) | – | (9,301) | – | (9,301) |
| Share-based compensation, net of tax | – | (283) [3] | – | 138 | – | (145) | – | (145) |
| Financial instruments indexed to own shares [4] | – | (108) | – | – | – | (108) | – | (108) |
| Dividends paid | – | (1,435) [5] | – | – | – | (1,435) | – | (1,435) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (255) | (255) |
| Other | – | (22) | – | – | – | (22) | (29) | (51) |
| **Balance at end of period** | **84** | **31,702** | **28,532** | **(94)** | **(15,262)** | **44,962** | **367** | **45,329** |
| **6M15 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,007** | **32,083** | **(192)** | **(15,003)** | **43,959** | **1,042** | **45,001** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (214) | (214) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 45 | 45 |
| Net income/(loss) | – | – | 2,105 | – | – | 2,105 | (5) | 2,100 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (2,317) | (2,317) | (54) | (2,371) |
| Issuance of common shares | 1 | 710 | – | – | – | 711 | – | 711 |
| Sale of treasury shares | – | (3) | – | 7,438 | – | 7,435 | – | 7,435 |
| Repurchase of treasury shares | – | – | – | (8,385) | – | (8,385) | – | (8,385) |
| Share-based compensation, net of tax | – | (857) | – | 988 | – | 131 | – | 131 |
| Financial instruments indexed to own shares | – | 140 | – | – | – | 140 | – | 140 |
| Dividends paid | – | (1,137) | – | – | – | (1,137) | – | (1,137) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | 6 | 6 |
| Other | – | – | – | – | – | – | (2) | (2) |
| **Balance at end of period** | **65** | **25,860** | **34,188** | **(151)** | **(17,320)** | **42,642** | **818** | **43,460** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax charge of CHF (126) million from the excess recognized compensation expense over fair value of shares delivered.
[4] Includes certain call options the Group purchased on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
[5] Paid out of capital contribution reserves.

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited)

| in | 6M16 | 6M15 |
|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | |
| **Net income/(loss)** | **(127)** | **2,100** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | |
| Impairment, depreciation and amortization | 471 | 520 |
| Provision for credit losses | 122 | 81 |
| Deferred tax provision/(benefit) | (339) | 708 |
| Share of net income/(loss) from equity method investments | 36 | (33) |
| Trading assets and liabilities, net | 15,182 | 12,857 |
| (Increase)/decrease in other assets | (9,341) | (8,431) |
| Increase/(decrease) in other liabilities | 3,988 | (5,216) |
| Other, net | (158) | 193 |
| Total adjustments | 9,961 | 679 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **9,834** | **2,779** |
| **Investing activities of continuing operations (CHF million)** | | |
| (Increase)/decrease in interest-bearing deposits with banks | 56 | 305 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 786 | 16,054 |
| Purchase of investment securities | (60) | (272) |
| Proceeds from sale of investment securities | 9 | 14 |
| Maturities of investment securities | 213 | 342 |
| Investments in subsidiaries and other investments | (378) | (335) |
| Proceeds from sale of other investments | 591 | 951 |
| (Increase)/decrease in loans | (2,083) | (3,677) |
| Proceeds from sales of loans | 415 | 1,018 |
| Capital expenditures for premises and equipment and other intangible assets | (582) | (474) |
| Proceeds from sale of premises and equipment and other intangible assets | 53 | 11 |
| Other, net | 51 | 195 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **(929)** | **14,132** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited) (continued)

| in | 6M16 | 6M15 |
|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | |
| Increase/(decrease) in due to banks and customer deposits | 8,772 | 1,065 |
| Increase/(decrease) in short-term borrowings | 3,049 | 1,110 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (13,622) | (7,873) |
| Issuances of long-term debt | 35,677 | 47,503 |
| Repayments of long-term debt | (20,718) | (29,565) |
| Issuances of common shares | 725 | 1 |
| Sale of treasury shares | 9,158 | 7,435 |
| Repurchase of treasury shares | (9,301) | (8,385) |
| Dividends paid | (493) | (427) |
| Other, net | 41 | 384 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **13,288** | **11,248** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | |
| **Effect of exchange rate changes on cash and due from banks** | **(472)** | **(3,454)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | |
| **Net increase/(decrease) in cash and due from banks** | **21,721** | **24,705** |
| Cash and due from banks at beginning of period | 92,328 | 79,349 |
| **Cash and due from banks at end of period** | **114,049** | **104,054** |

## Supplemental cash flow information (unaudited)

| in | 6M16 | 6M15 |
|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | |
| Cash paid for income taxes | 234 | 683 |
| Cash paid for interest | 5,072 | 5,601 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | |
| Fair value of assets acquired | 0 | 2 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | |
| Assets sold | 0 | 34 |
| Liabilities sold | 0 | 7 |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

# Notes to the condensed consolidated financial statements – unaudited

## 1 Summary of significant accounting policies

### Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Credit Suisse Group AG (the Group) are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). These condensed consolidated financial statements should be read in conjunction with the US GAAP consolidated financial statements and notes thereto for the year ended December 31, 2015 included in the Credit Suisse Annual Report 2015.

▸ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for a description of the Group's significant accounting policies.

Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with US GAAP, but not required for interim reporting purposes, has been condensed or omitted. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current period's presentation. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the periods presented. The 1Q16 consolidated statements of operations and comprehensive income, the 1Q16 consolidated balance sheets and the 2Q16, 1Q16 and 2Q15 consolidated statements of changes in equity have been added for convenience of the reader and are not a required presentation under US GAAP. The results of operations for interim periods are not indicative of results for the entire year.

In preparing these condensed consolidated financial statements, management is required to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2 Recently issued accounting standards

### Recently adopted accounting standards

The following provides the most relevant recently adopted accounting standards.

▸ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for a description of accounting standards adopted in 2015.

#### ASC Topic 718 – Compensation – Stock Compensation

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" (ASU 2014-12), an update to Accounting Standards Codification (ASC) Topic 718 – Compensation – Stock Compensation. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The adoption of ASU 2014-12 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 810 – Consolidation

In February 2015, the FASB issued ASU 2015-02, "Amendments to the Consolidation Analysis" (ASU 2015-02), an update to ASC Topic 810 – Consolidation. The amendments in ASU 2015-02 rescind the indefinite deferral for certain investment funds, which is included in ASU 2010-10, Consolidation (ASC Topic 810), "Amendments for Certain Investment Funds". The amendments in ASU 2015-02 also require a re-evaluation as to whether certain legal entities require consolidation under the revised consolidation model, specifically as it relates to whether limited partnerships and similar legal entities are VIEs or voting interest entities, the elimination of the presumption that a general partner controls a partnership, and the consolidation analysis of VIEs, particularly those that have fee arrangements and related party relationships. The adoption of ASU 2015-02 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" (ASU 2014-13), an update to ASC Topic 810 – Consolidation. ASU 2014-13 applies to reporting entities that are required to consolidate a collateralized financing entity (CFE) under the VIE guidance. These entities may elect to measure the financial assets and the financial liabilities of the CFE at fair value using either ASC Topic 820 – Fair Value Measurements or an alternative provided in ASU 2014-13. When using the measurement alternative provided in this update, the reporting entity should measure both the financial assets and the financial liabilities of the CFE, using the most observable of (i) the fair value of the financial assets and (ii) the fair value of the financial liabilities. The adoption of ASU 2014-13 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 815 – Derivatives and Hedging

In November 2014, the FASB issued ASU 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity" (ASU 2014-16), an update to ASC Topic 815 – Derivatives and Hedging. The amendments in ASU 2014-16 clarify that for hybrid financial instruments issued in the form of a share, an entity (an issuer or an investor) should determine the nature of the host contract by

considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. The adoption of ASU 2014-16 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

ASC Topic 820 – Fair Value Measurement

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2015-07), an update to ASC Topic 820 – Fair Value Measurement. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient and change the scope of certain disclosure requirements to those investments for which an entity has elected using that practical expedient. The adoption of ASU 2015-07 on January 1, 2016 resulted in modified disclosures but did not have a material impact on the Group's financial position, results of operations and cash flows.

ASC Topic 825 – Financial Instruments – Overall

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), an update to ASC Topic 825 – Financial Instruments – Overall. The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, and for the interim and annual reporting periods thereafter. Early adoption of the full standard is not permitted, however, certain sections of ASU 2016-01 relating to fair value option-elected financial liabilities can be early adopted in isolation. These amendments to ASU 2016-01 require the changes in fair value relating to instrument-specific credit risk of fair value option elected financial liabilities to be presented separately in accumulated other comprehensive income. The Group has early adopted these sections of the update on January 1, 2016. As a result of adoption, a reclassification of a gain from retained earnings to accumulated other comprehensive income of CHF 475 million, net of tax, was recorded. The Group is currently evaluating the impact of the adoption of the remaining sections of ASU 2016-01 on the Group's financial position, results of operations and cash flows.

ASC Topic 835 – Interest

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), an update to ASC Subtopic 835-30, "Interest – Imputation of Interest". Under ASU 2015-03, an entity presents debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than an asset. The adoption of ASU 2015-03 on January 1, 2016 resulted in a reduction to both total assets and total liabilities of CHF 541 million, however, retrospective application was deemed immaterial and, as such, prior periods were not restated.

**Standards to be adopted in future periods**

ASC Topic 205 – Presentation of Financial Statements

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" (ASU 2014-15), an update to ASC Topic 205 – Presentation of Financial Statements. The amendments in ASU 2014-15 provide guidance in US GAAP about management's responsibility to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures in the notes to the financial statements. The amendments are expected to reduce diversity in the timing and content of such disclosures. ASU 2014-15 is effective for the annual reporting period ending after December 15, 2016, and for the interim and annual reporting periods thereafter. Early adoption is permitted. As these amendments relate only to disclosures, the adoption of ASU 2014-15 will have no impact on the Group's financial position, results of operations and cash flows.

ASC Topic 326 – Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), an update to ASC Topic 326 – Financial Instruments – Credit Losses. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on financial assets measured at amortized cost basis (including, but not limited to loans), net investments in leases recognized as lessor and off-balance sheet credit exposures. The ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Group will now incorporate forward-looking information into its credit loss estimates. The ASU requires enhanced disclosures to help investors and other financial statement users to better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. As the Group is an SEC filer, ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, and for the interim and annual reporting periods thereafter. Early application will be permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-13 on the Group's financial position, results of operations and cash flows.

ASC Topic 606 – Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), an update to ASC Topic 606 – Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers

in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU outlines key steps that an entity should follow to achieve the core principle. ASU 2014-19, as amended by ASU 2015-14 "Deferral of the Effective Date", ASU 2016-08 "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)", ASU 2016-10 "Identifying Performance Obligations and Licensing", ASU 2016-11 "Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting" and ASU 2016-12 "Narrow-Scope Improvements and Practical Expedients", is effective for the annual reporting period beginning after December 15, 2017, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2014-09 and its amendments on the Group's financial position, results of operations and cash flows.

#### ASC Topic 718 – Compensation – Stock Compensation

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09), an update to ASC Topic 718 – Compensation—Stock Compensation. The amendments in ASU 2016-09 provide simplification updates for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-09 on the Group's financial position, results of operations and cash flows.

#### ASC Topic 842 – Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" (ASU 2016-02), creating ASC Topic 842 – Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet. Lessor accounting is substantially unchanged compared to the current accounting guidance. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-02 on the Group's financial position, results of operations and cash flows.

## 3 Business developments

**Implementation of our strategy**

As announced on March 23, 2016, we have implemented additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower our cost base, accelerate the risk-weighted assets and leverage reduction initiatives in the restructuring of our Global Markets business and further strengthen our capital position.

The additional measures included exiting the distressed credit, European securitized products trading and long-term illiquid financing businesses and making other business reductions. The assets from these impacted businesses were transferred to the Strategic Resolution Unit in 2Q16.

As also announced, in 2Q16 the Group consolidated its foreign exchange sales and trading business from Global Markets into its trading operations within Swiss Universal Bank. The results of the sales and trading business continue to be split between Swiss Universal Bank and International Wealth Management.

A portion of the corporate loan portfolio managed by the Global Markets and Investment Banking & Capital Markets divisions was also transferred to the Strategic Resolution Unit in 2Q16. These transfers related to client lending relationship exits and exposure types that we do not consider consistent with the announced strategy.

In 2Q16, we also transferred from Global Markets to the Corporate Center a portfolio of positions containing tax risk to the Group that is managed by the Group's corporate tax function.

As a result of the above strategic actions, prior period segment results have been reclassified to conform to the current presentation. These reclassifications had no impact on the net income/(loss) or the total shareholders' equity of the Group.

#### Funding and cost allocations

In the ongoing process of implementing the Group's strategy across our six business divisions, in 2Q16 the Group retroactively recalibrated, with effect as of the beginning of 1Q16, its methodology to allocate funding costs across the Group to incorporate net stable funding ratio (NSFR) requirements.

Corporate services and business support in finance, operations, human resources, legal, compliance, risk management and IT are provided by corporate functions, and the related costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures. In the ongoing process of implementing the Group's strategy across our six business divisions, in 2Q16, the Group recalibrated its methodology for the allocation of these corporate function costs to the operating expenses of the divisions, including a retroactive adjustment for 1Q16 in 2Q16.

## 4 Discontinued operations

There were no operations that were discontinued in 6M16 and 2015.

▸ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

## 5 Segment information

### Overview

The Group is a global financial services company domiciled in Switzerland and serves its clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with the strategic direction. The segment information reflects the Group's six reportable segments and the Corporate Center, which are managed and reported on a pre-tax basis.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on segment information, revenue sharing and cost allocation and funding.

### Net revenues and income before taxes

| in | **2Q16** | 1Q16 | 2Q15 | **6M16** | 6M15 |
|---|---|---|---|---|---|
| **Net revenues (CHF million)** | | | | | |
| Swiss Universal Bank | 1,337 | 1,356 | 1,462 | 2,693 | 2,862 |
| International Wealth Management | 1,145 | 1,173 | 1,165 | 2,318 | 2,286 |
| Asia Pacific | 911 | 907 | 1,040 | 1,818 | 2,128 |
| Global Markets | 1,630 | 1,245 | 1,926 | 2,875 | 4,077 |
| Investment Banking & Capital Markets | 543 | 388 | 568 | 931 | 967 |
| Strategic Resolution Unit | (363) | (541) | 410 | (904) | 725 |
| Corporate Center | (95) | 110 | 384 | 15 | 557 |
| **Net revenues** | **5,108** | **4,638** | **6,955** | **9,746** | **13,602** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | | | |
| Swiss Universal Bank | 453 | 432 | 468 | 885 | 911 |
| International Wealth Management | 245 | 300 | 272 | 545 | 550 |
| Asia Pacific | 206 | 264 | 367 | 470 | 832 |
| Global Markets | 154 | (198) | 391 | (44) | 1,118 |
| Investment Banking & Capital Markets | 135 | (62) | 145 | 73 | 98 |
| Strategic Resolution Unit | (759) | (1,253) | (250) | (2,012) | (554) |
| Corporate Center | (235) | 33 | 263 | (202) | 212 |
| **Income/(loss) from continuing operations before taxes** | **199** | **(484)** | **1,656** | **(285)** | **3,167** |

### Total assets

| end of | **2Q16** | 1Q16 | 4Q15 |
|---|---|---|---|
| **Total assets (CHF million)** | | | |
| Swiss Universal Bank | 224,866 | 222,653 | 220,359 |
| International Wealth Management | 90,156 | 85,766 | 96,085 |
| Asia Pacific | 92,194 | 90,218 | 85,929 |
| Global Markets | 239,419 | 237,716 | 234,276 |
| Investment Banking & Capital Markets | 22,064 | 20,772 | 18,712 |
| Strategic Resolution Unit | 98,058 | 105,286 | 100,823 |
| Corporate Center | 54,407 | 51,487 | 64,621 |
| **Total assets** | **821,164** | **813,898** | **820,805** |

## 6 Net interest income

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Net interest income (CHF million)** | | | | | |
| Loans | 1,374 | 1,389 | 1,315 | 2,763 | 2,632 |
| Investment securities | 16 | 17 | 18 | 33 | 31 |
| Trading assets | 2,292 | 2,086 | 3,330 | 4,378 | 5,283 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 710 | 704 | 679 | 1,414 | 1,329 |
| Other | 365 | 389 | 561 | 754 | 1,118 |
| Interest and dividend income | 4,757 | 4,585 | 5,903 | 9,342 | 10,393 |
| Deposits | (258) | (244) | (221) | (502) | (476) |
| Short-term borrowings | (22) | (16) | (28) | (38) | (62) |
| Trading liabilities | (1,202) | (1,024) | (1,511) | (2,226) | (2,306) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (377) | (376) | (325) | (753) | (640) |
| Long-term debt | (854) | (858) | (895) | (1,712) | (1,781) |
| Other | (45) | (56) | (54) | (101) | (107) |
| Interest expense | (2,758) | (2,574) | (3,034) | (5,332) | (5,372) |
| **Net interest income** | **1,999** | **2,011** | **2,869** | **4,010** | **5,021** |

## 7 Commissions and fees

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Commissions and fees (CHF million)** | | | | | |
| Lending business | 452 | 398 | 426 | 850 | 726 |
| Investment and portfolio management | 779 | 810 | 864 | 1,589 | 1,697 |
| Other securities business | 14 | 11 | 21 | 25 | 43 |
| Fiduciary business | 793 | 821 | 885 | 1,614 | 1,740 |
| Underwriting | 395 | 222 | 487 | 617 | 932 |
| Brokerage | 757 | 833 | 978 | 1,590 | 1,986 |
| Underwriting and brokerage | 1,152 | 1,055 | 1,465 | 2,207 | 2,918 |
| Other services | 399 | 401 | 483 | 800 | 854 |
| **Commissions and fees** | **2,796** | **2,675** | **3,259** | **5,471** | **6,238** |

## 8 Trading revenues

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Trading revenues (CHF million)** | | | | | |
| Interest rate products | 2,918 | 1,719 | 1,569 | 4,637 | 4,163 |
| Foreign exchange products | (1,566) | (582) | 340 | (2,148) | (513) |
| Equity/index-related products | (844) | (1,163) | (1,126) | (2,007) | (1,285) |
| Credit products | (734) | (534) | (111) | (1,268) | (460) |
| Commodity, emission and energy products | 16 | (3) | 28 | 13 | 18 |
| Other products | 304 | 292 | (202) | 596 | (35) |
| **Trading revenues** | **94** | **(271)** | **498** | **(177)** | **1,888** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to "Note 8 – Trading revenues" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on trading revenues and managing trading risks.

## 9 Other revenues

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Other revenues (CHF million)** | | | | | |
| Noncontrolling interests without SEI | 1 | 0 | 14 | 1 | (14) |
| Loans held-for-sale | (48) | (9) | (19) | (57) | (27) |
| Long-lived assets held-for-sale | (9) | 33 | 1 | 24 | 3 |
| Equity method investments | 46 | 49 | 51 | 95 | 97 |
| Other investments | 31 | (16) | 93 | 15 | 21 |
| Other | 198 | 166 | 189 | 364 | 375 |
| **Other revenues** | **219** | **223** | **329** | **442** | **455** |

## 10 Provision for credit losses

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | | | |
| Provision for loan losses | (13) | 126 | 36 | 113 | 67 |
| Provision for lending-related and other exposures | (15) | 24 | 15 | 9 | 14 |
| **Provision for credit losses** | **(28)** | **150** | **51** | **122** | **81** |

## 11 Compensation and benefits

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | | | |
| Salaries and variable compensation | 2,367 | 2,166 | 2,474 | 4,533 | 5,091 |
| Social security | 211 | 147 | 274 | 358 | 465 |
| Other [1] | 156 | 169 | 166 | 325 | 334 |
| **Compensation and benefits** | **2,734** | **2,482** | **2,914** | **5,216** | **5,890** |

[1] Includes pension and other post-retirement expense of CHF 80 million, CHF 79 million, CHF 82 million, CHF 159 million and CHF 172 million in 2Q16, 1Q16, 2Q15, 6M16 and 6M15, respectively.

## 12 General and administrative expenses

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | | | |
| Occupancy expenses | 242 | 248 | 250 | 490 | 493 |
| IT, machinery, etc. | 278 | 297 | 296 | 575 | 612 |
| Provisions and losses | 91 | 78 | 131 | 169 | 204 |
| Travel and entertainment | 81 | 90 | 95 | 171 | 184 |
| Professional services | 739 | 804 | 744 | 1,543 | 1,376 |
| Amortization and impairment of other intangible assets | 2 | 2 | 5 | 4 | 11 |
| Other | 327 | 329 | 407 | 656 | 786 |
| **General and administrative expenses** | **1,760** | **1,848** | **1,928** | **3,608** | **3,666** |

## 13 Restructuring expenses

In connection with the strategic review of the Group, restructuring expenses of CHF 91 million and CHF 255 million and CHF 346 million were recognized in 2Q16, 1Q16 and 6M16, respectively. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards and real estate contract termination costs.

### Restructuring expenses by segment

| in | 2Q16 | 1Q16 | 6M16 |
|---|---|---|---|
| **Restructuring expenses by segment (CHF million)** | | | |
| Swiss Universal Bank | 4 | 40 | 44 |
| International Wealth Management | 15 | 8 | 23 |
| Asia Pacific | 10 | 1 | 11 |
| Global Markets | 50 | 100 | 150 |
| Investment Banking & Capital Markets | (8) | 27 | 19 |
| Strategic Resolution Unit | 20 | 79 | 99 |
| **Total restructuring expenses** | **91** | **255** | **346** |

### Restructuring expenses by type

| in | 2Q16 | 1Q16 | 6M16 |
|---|---|---|---|
| **Restructuring expenses by type (CHF million)** | | | |
| Compensation and benefits-related expenses | 50 | 182 | 232 |
| of which severance expenses | 61 | 56 | 117 |
| of which accelerated deferred compensation | (21) | 104 | 83 |
| of which pension expenses | 10 | 22 | 32 |
| General and administrative-related expenses | 41 | 73 | 114 |
| **Total restructuring expenses** | **91** | **255** | **346** |

### Restructuring provision

| | 2Q16 | | | 1Q16 | | |
|---|---|---|---|---|---|---|
| | Compensation and benefits | General and administrative expenses | Total | Compensation and benefits | General and administrative expenses | Total |
| **Restructuring provision (CHF million)** | | | | | | |
| **Balance at beginning of period** | **193** | **87** | **280** | **187** | **12** | **199** |
| Net additional charges [1] | 61 | 41 | 102 | 56 | 73 | 129 |
| Utilization | (65) | (18) | (83) | (50) | 2 | (48) |
| **Balance at end of period** | **189** | **110** | **299** | **193** | **87** | **280** |

| | 6M16 | | |
|---|---|---|---|
| | Compensation and benefits | General and administrative-related expenses | Total |
| **Restructuring provision (CHF million)** | | | |
| **Balance at beginning of period** | **187** | **12** | **199** |
| Net additional charges | 117 | 114 | 231 [1] |
| Utilization | (115) | (16) | (131) |
| **Balance at end of period** | **189** | **110** | **299** |

[1] The following items for which expense accretion was accelerated in 2Q16, 1Q16 and 6M16 due to the restructuring of the Group are not included in the restructuring provision: unsettled share-based compensation of CHF (27) million, CHF 33 million, CHF 6 million, respectively, and unsettled pension obligations of CHF 4 million, CHF 23 million and CHF 27 million, respectively, which remain classified as a component of total shareholders' equity; and unsettled cash-based deferred compensation of CHF 12 million, CHF 70 million and CHF 82 million, respectively, which remain classified as compensation liabilities. The settlement date for the unsettled share-based compensation remains unchanged at three years.

## 14 Earnings per share

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **170** | **(302)** | **1,051** | **(132)** | **2,105** |
| Available for common shares | 167 | (302) | 1,029 | (135) | 2,060 |
| Available for unvested share-based payment awards | 3 | 0 | 22 | 3 | 45 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **170** | **(302)** | **1,051** | **(132)** | **2,105** |
| Available for common shares | 167 | (302) | 1,029 | (135) | 2,061 |
| Available for unvested share-based payment awards | 3 | 0 | 22 | 3 | 44 |
| **Weighted-average shares outstanding (million)** | | | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **2,018.4** | **1,980.7** | **1,689.7** | **1,999.6** | **1,680.0** |
| Dilutive share options and warrants | 3.7 | 0.0 | 0.9 | 0.0 | 0.9 |
| Dilutive share awards | 43.0 | 0.0 | 44.6 | 0.0 | 37.7 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares** [1] | **2,065.1** | **1,980.7** [2] | **1,735.2** | **1,999.6** [2] | **1,718.6** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **1.2** | **10.3** | **21.8** | **5.8** | **31.6** |
| **Earnings/(loss) per share available for common shares (CHF)** | | | | | |
| **Basic earnings/(loss) per share available for common shares** | **0.08** | **(0.15)** | **0.61** | **(0.07)** | **1.23** |
| **Diluted earnings/(loss) per share available for common shares** | **0.08** | **(0.15)** | **0.59** | **(0.07)** | **1.20** |

Prior periods have been adjusted to reflect the increase in the number of shares outstanding as a result of the discount element in the 2015 rights issue, as required under US GAAP.

[1] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 12.0 million, 7.5 million, 7.2 million, 9.8 million and 8.2 million for 2Q16, 1Q16, 2Q15, 6M16 and 6M15, respectively.

[2] Due to the net losses in 1Q16 and 6M16, 2.3 million and 3.0 million, respectively, of weighted-average share options and warrants outstanding and 53.7 million and 48.4 million, respectively, of weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

## 15 Trading assets and liabilities

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Trading assets (CHF million)** | | | |
| Debt securities | 66,658 | 72,864 | 80,542 |
| Equity securities | 69,814 | 73,763 | 70,961 |
| Derivative instruments [1] | 29,488 | 29,792 | 28,365 |
| Other | 11,659 | 11,131 | 10,869 |
| **Trading assets** | **177,619** | **187,550** | **190,737** |
| **Trading liabilities (CHF million)** | | | |
| Short positions | 24,634 | 28,962 | 25,485 |
| Derivative instruments [1] | 27,048 | 24,620 | 23,486 |
| **Trading liabilities** | **51,682** | **53,582** | **48,971** |

[1] Amounts shown after counterparty and cash collateral netting.

### Cash collateral on derivative instruments

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Cash collateral – netted (CHF million)** [1] | | | |
| Cash collateral paid | 39,600 | 34,413 | 31,887 |
| Cash collateral received | 28,971 | 26,246 | 21,942 |
| **Cash collateral – not netted (CHF million)** [2] | | | |
| Cash collateral paid | 10,055 | 8,121 | 7,921 |
| Cash collateral received | 12,773 | 12,625 | 13,989 |

[1] Recorded as cash collateral netting on derivative instruments in Note 22 – Offsetting of financial assets and financial liabilities.

[2] Recorded as cash collateral on derivative instruments in Note 19 – Other assets and other liabilities.

## 16 Investment securities

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Investment securities (CHF million)** | | | |
| Securities available-for-sale | 2,611 | 3,143 | 3,090 |
| **Total investment securities** | **2,611** | **3,143** | **3,090** |

### Investment securities by type

| end of | 2Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** |
| **Investment securities by type (CHF million)** | | | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 252 | 25 | 0 | 277 | 273 | 21 | 0 | 294 |
| Debt securities issued by foreign governments | 1,379 | 41 | 0 | 1,420 | 1,382 | 34 | 0 | 1,416 |
| Corporate debt securities | 283 | 0 | 0 | 283 | 285 | 0 | 0 | 285 |
| Residential mortgage-backed securities | 515 | 0 | 0 | 515 | 750 | 0 | 0 | 750 |
| Commercial mortgage-backed securities | 29 | 0 | 0 | 29 | 259 | 0 | 0 | 259 |
| Debt securities available-for-sale | 2,458 | 66 | 0 | 2,524 | 2,949 | 55 | 0 | 3,004 |
| Banks, trust and insurance companies | 66 | 21 | 0 | 87 | 65 | 20 | 0 | 85 |
| Industry and all other | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Equity securities available-for-sale | 66 | 21 | 0 | 87 | 66 | 20 | 0 | 86 |
| **Securities available-for-sale** | **2,524** | **87** | **0** | **2,611** | **3,015** | **75** | **0** | **3,090** |

There were no unrealized losses on investment securities as of the end of 2Q16 and 4Q15. No significant impairment charges were recorded as the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| in | 6M16 | | 6M15 | |
|---|---|---|---|---|
| | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | |
| Proceeds from sales | 8 | 1 | 0 | 14 |
| Realized gains | 0 | 0 | 0 | 1 |

### Amortized cost, fair value and average yield of debt securities

| | Debt securities available-for-sale | | |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **2Q16 (CHF million)** | | | |
| Due within 1 year | 385 | 385 | 0.69 |
| Due from 1 to 5 years | 1,375 | 1,420 | 0.87 |
| Due from 5 to 10 years | 145 | 164 | 1.11 |
| Due after 10 years | 553 | 555 | 5.39 |
| **Total debt securities** | **2,458** | **2,524** | **1.87** |

## 17 Loans, allowance for loan losses and credit quality

▸ Refer to "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on loans, allowance for loan losses, credit quality, value of collateral and impaired loans.

## Loans

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Loans (CHF million)** | | | |
| Mortgages | 104,394 | 103,595 | 103,164 |
| Loans collateralized by securities | 36,385 | 35,068 | 37,946 |
| Consumer finance | 3,757 | 3,575 | 3,766 |
| Consumer | 144,536 | 142,238 | 144,876 |
| Real estate | 26,218 | 26,793 | 26,451 |
| Commercial and industrial loans | 81,240 | 77,627 | 77,767 |
| Financial institutions | 18,924 | 20,672 | 21,334 |
| Governments and public institutions | 3,928 | 4,040 | 3,578 |
| Corporate & institutional | 130,310 | 129,132 | 129,130 |
| **Gross loans** | **274,846** | **271,370** | **274,006** |
| of which held at amortized cost | 254,015 | 249,849 | 253,186 |
| of which held at fair value | 20,831 | 21,521 | 20,820 |
| Net (unearned income)/deferred expenses | (148) | (160) | (145) |
| Allowance for loan losses | (863) | (962) | (866) |
| **Net loans** | **273,835** | **270,248** | **272,995** |
| **Gross loans by location (CHF million)** | | | |
| Switzerland | 158,323 | 157,319 | 155,771 |
| Foreign | 116,523 | 114,051 | 118,235 |
| **Gross loans** | **274,846** | **271,370** | **274,006** |
| **Impaired loan portfolio (CHF million)** | | | |
| Non-performing loans | 1,426 | 1,046 | 983 |
| Non-interest-earning loans | 204 | 233 | 272 |
| Non-performing and non-interest-earning loans | 1,630 | 1,279 | 1,255 |
| Restructured loans | 257 | 288 | 282 |
| Potential problem loans | 417 | 645 | 436 |
| Other impaired loans | 674 | 933 | 718 |
| **Gross impaired loans** | **2,304** | **2,212** | **1,973** |

## Allowance for loan losses by loan portfolio

| | 2Q16 | | | 1Q16 | | | 2Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **197** | **765** | **962** | **216** | **650** | **866** | **245** | **522** | **767** |
| Net movements recognized in statements of operations | 7 | (20) | (13) | 0 | 126 | 126 | 16 | 20 | 36 |
| Gross write-offs | (22) | (86) | (108) | (20) | (19) | (39) | (57) | (25) | (82) |
| Recoveries | 2 | 9 | 11 | 3 | 20 | 23 | 4 | 2 | 6 |
| Net write-offs | (20) | (77) | (97) | (17) | 1 | (16) | (53) | (23) | (76) |
| Provisions for interest | 2 | 2 | 4 | 3 | (1) | 2 | 1 | 2 | 3 |
| Foreign currency translation impact and other adjustments, net | 1 | 6 | 7 | (5) | (11) | (16) | (2) | (6) | (8) |
| **Balance at end of period** | **187** | **676** | **863** | **197** | **765** | **962** | **207** | **515** | **722** |
| of which individually evaluated for impairment | 141 | 482 | 623 | 154 | 570 | 724 | 162 | 348 | 510 |
| of which collectively evaluated for impairment | 46 | 194 | 240 | 43 | 195 | 238 | 45 | 167 | 212 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **144,514** | **109,501** | **254,015** | **142,217** | **107,632** | **249,849** | **143,711** | **107,531** | **251,242** |
| of which individually evaluated for impairment [1] | 650 | 1,654 | 2,304 | 658 | 1,554 | 2,212 | 650 | 920 | 1,570 |
| of which collectively evaluated for impairment | 143,864 | 107,847 | 251,711 | 141,559 | 106,078 | 247,637 | 143,061 | 106,611 | 249,672 |

[1] Represents gross impaired loans both with and without a specific allowance.

## Allowance for loan losses by loan portfolio (continued)

| | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | |
| **Balance at beginning of period** | **216** | **650** | **866** | **251** | **507** | **758** |
| Net movements recognized in statements of operations | 7 | 106 | 113 | 31 | 36 | 67 |
| Gross write-offs | (42) | (105) | (147) | (78) | (29) | (107) |
| Recoveries | 5 | 29 | 34 | 6 | 9 | 15 |
| Net write-offs | (37) | (76) | (113) | (72) | (20) | (92) |
| Provisions for interest | 5 | 1 | 6 | 2 | 10 | 12 |
| Foreign currency translation impact and other adjustments, net | (4) | (5) | (9) | (5) | (18) | (23) |
| **Balance at end of period** | **187** | **676** | **863** | **207** | **515** | **722** |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| in | 2Q16 | | | 1Q16 | | | 2Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 0 | 720 | 720 | 0 | 695 | 695 | 115 | 1,357 | 1,472 |
| Reclassifications from loans held-for-sale [2] | 0 | 47 | 47 | 0 | 78 | 78 | 0 | 35 | 35 |
| Reclassifications to loans held-for-sale [3] | 509 | 253 | 762 | 1,123 | 411 | 1,534 | 0 | 167 | 167 |
| Sales [3] | 0 | 30 | 30 | 0 | 0 | 0 | 0 | 134 | 134 |

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | |
| Purchases [1] | 0 | 1,415 | 1,415 | 231 | 2,348 | 2,579 |
| Reclassifications from loans held-for-sale [2] | 0 | 125 | 125 | 0 | 158 | 158 |
| Reclassifications to loans held-for-sale [3] | 1,632 | 664 | 2,296 | 0 | 373 | 373 |
| Sales [3] | 0 | 30 | 30 | 0 | 214 | 214 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

## Gross loans held at amortized cost by internal counterparty rating

| | Investment grade | Non-investment grade | | |
|---|---|---|---|---|
| end of | AAA to BBB | BB to C | D | **Total** |
| **2Q16 (CHF million)** | | | | |
| Mortgages | 91,986 | 12,171 | 237 | 104,394 |
| Loans collateralized by securities | 33,397 | 2,870 | 118 | 36,385 |
| Consumer finance | 1,317 | 2,203 | 215 | 3,735 |
| Consumer | 126,700 | 17,244 | 570 | 144,514 |
| Real estate | 19,683 | 5,802 | 88 | 25,573 |
| Commercial and industrial loans | 35,421 | 32,756 | 1,138 | 69,315 |
| Financial institutions | 10,974 | 2,486 | 136 | 13,596 |
| Governments and public institutions | 947 | 55 | 15 | 1,017 |
| Corporate & institutional | 67,025 | 41,099 | 1,377 | 109,501 |
| **Gross loans held at amortized cost** | **193,725** | **58,343** | **1,947** | **254,015** |
| Value of collateral [1] | 177,989 | 49,214 | 1,044 | 228,247 |
| **4Q15 (CHF million)** | | | | |
| Mortgages | 89,966 | 12,950 | 248 | 103,164 |
| Loans collateralized by securities | 36,129 | 1,679 | 138 | 37,946 |
| Consumer finance | 1,247 | 2,272 | 226 | 3,745 |
| Consumer | 127,342 | 16,901 | 612 | 144,855 |
| Real estate | 19,454 | 6,126 | 98 | 25,678 |
| Commercial and industrial loans | 32,995 | 32,365 | 859 | 66,219 |
| Financial institutions | 12,391 | 2,965 | 149 | 15,505 |
| Governments and public institutions | 824 | 105 | 0 | 929 |
| Corporate & institutional | 65,664 | 41,561 | 1,106 | 108,331 |
| **Gross loans held at amortized cost** | **193,006** | **58,462** | **1,718** | **253,186** |
| Value of collateral [1] | 178,649 | 48,422 | 1,063 | 228,134 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, the value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Group's risk management policies and directives, with maximum review periods determined by property type, market liquidity, market transparency and appraisal cost.

## Gross loans held at amortized cost – aging analysis

| | Current | Past due | | | | |
|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31–60 days | 61–90 days | More than 90 days | Total | **Total** |
| **2Q16 (CHF million)** | | | | | | | |
| Mortgages | 103,969 | 160 | 23 | 9 | 233 | 425 | 104,394 |
| Loans collateralized by securities | 36,058 | 166 | 28 | 7 | 126 | 327 | 36,385 |
| Consumer finance | 3,168 | 302 | 39 | 37 | 189 | 567 | 3,735 |
| Consumer | 143,195 | 628 | 90 | 53 | 548 | 1,319 | 144,514 |
| Real estate | 25,424 | 76 | 6 | 0 | 67 | 149 | 25,573 |
| Commercial and industrial loans | 67,508 | 742 | 89 | 225 | 751 | 1,807 | 69,315 |
| Financial institutions | 13,331 | 126 | 13 | 0 | 126 | 265 | 13,596 |
| Governments and public institutions | 1,011 | 6 | 0 | 0 | 0 | 6 | 1,017 |
| Corporate & institutional | 107,274 | 950 | 108 | 225 | 944 | 2,227 | 109,501 |
| **Gross loans held at amortized cost** | **250,469** | **1,578** | **198** | **278** | **1,492** | **3,546** | **254,015** |
| **4Q15 (CHF million)** | | | | | | | |
| Mortgages | 102,895 | 80 | 17 | 10 | 162 | 269 | 103,164 |
| Loans collateralized by securities | 37,589 | 214 | 7 | 1 | 135 | 357 | 37,946 |
| Consumer finance | 3,321 | 176 | 36 | 33 | 179 | 424 | 3,745 |
| Consumer | 143,805 | 470 | 60 | 44 | 476 | 1,050 | 144,855 |
| Real estate | 25,595 | 24 | 3 | 1 | 55 | 83 | 25,678 |
| Commercial and industrial loans | 65,129 | 507 | 109 | 69 | 405 | 1,090 | 66,219 |
| Financial institutions | 15,259 | 90 | 45 | 2 | 109 | 246 | 15,505 |
| Governments and public institutions | 928 | 1 | 0 | 0 | 0 | 1 | 929 |
| Corporate & institutional | 106,911 | 622 | 157 | 72 | 569 | 1,420 | 108,331 |
| **Gross loans held at amortized cost** | **250,716** | **1,092** | **217** | **116** | **1,045** | **2,470** | **253,186** |

## Gross impaired loans by category

| | Non-performing and non-interest-earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing | Non-interest-earning | Total | Re-structured | Potential problem | Total | **Total** |
| **2Q16 (CHF million)** | | | | | | | |
| Mortgages | 236 | 9 | 245 | 13 | 48 | 61 | 306 [1] |
| Loans collateralized by securities | 122 | 5 | 127 | 0 | 0 | 0 | 127 |
| Consumer finance | 189 | 27 | 216 | 0 | 1 | 1 | 217 |
| Consumer | 547 | 41 | 588 | 13 | 49 | 62 | 650 |
| Real estate | 77 | 4 | 81 | 0 | 23 | 23 | 104 |
| Commercial and industrial loans | 719 | 109 | 828 | 244 | 302 | 546 | 1,374 |
| Financial institutions | 83 | 50 | 133 | 0 | 28 | 28 | 161 |
| Governments and public institutions | 0 | 0 | 0 | 0 | 15 | 15 | 15 |
| Corporate & institutional | 879 | 163 | 1,042 | 244 | 368 | 612 | 1,654 |
| **Gross impaired loans** | **1,426** | **204** | **1,630** | **257** | **417** | **674** | **2,304** |
| **4Q15 (CHF million)** | | | | | | | |
| Mortgages | 197 | 17 | 214 | 18 | 49 | 67 | 281 [1] |
| Loans collateralized by securities | 108 | 27 | 135 | 0 | 3 | 3 | 138 |
| Consumer finance | 204 | 23 | 227 | 0 | 1 | 1 | 228 |
| Consumer | 509 | 67 | 576 | 18 | 53 | 71 | 647 |
| Real estate | 53 | 19 | 72 | 0 | 29 | 29 | 101 |
| Commercial and industrial loans | 333 | 136 | 469 | 263 | 319 | 582 | 1,051 |
| Financial institutions | 88 | 50 | 138 | 1 | 35 | 36 | 174 |
| Corporate & institutional | 474 | 205 | 679 | 264 | 383 | 647 | 1,326 |
| **Gross impaired loans** | **983** | **272** | **1,255** | **282** | **436** | **718** | **1,973** |

[1] As of the end of 2Q16 and 4Q15, CHF 72 million and CHF 68 million, respectively, were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

## Gross impaired loan detail

| end of | 2Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 198 | 185 | 22 | 209 | 196 | 26 |
| Loans collateralized by securities | 124 | 116 | 8 | 117 | 112 | 15 |
| Consumer finance | 210 | 189 | 111 | 221 | 201 | 129 |
| Consumer | 532 | 490 | 141 | 547 | 509 | 170 |
| Real estate | 80 | 75 | 10 | 76 | 72 | 10 |
| Commercial and industrial loans | 978 | 958 | 406 | 815 | 796 | 387 |
| Financial institutions | 161 | 154 | 66 | 172 | 166 | 83 |
| Corporate & institutional | 1,219 | 1,187 | 482 | 1,063 | 1,034 | 480 |
| **Gross impaired loans with a specific allowance** | **1,751** | **1,677** | **623** | **1,610** | **1,543** | **650** |
| Mortgages | 108 | 108 | – | 72 | 71 | – |
| Loans collateralized by securities | 3 | 3 | – | 21 | 22 | – |
| Consumer finance | 7 | 7 | – | 7 | 7 | – |
| Consumer | 118 | 118 | – | 100 | 100 | – |
| Real estate | 24 | 24 | – | 25 | 25 | – |
| Commercial and industrial loans | 396 | 396 | – | 236 | 236 | – |
| Financial institutions | 0 | 0 | – | 2 | 2 | – |
| Governments and public institutions | 15 | 15 | – | 0 | 0 | – |
| Corporate & institutional | 435 | 435 | – | 263 | 263 | – |
| **Gross impaired loans without specific allowance** | **553** | **553** | **–** | **363** | **363** | **–** |
| **Gross impaired loans** | **2,304** | **2,230** | **623** | **1,973** | **1,906** | **650** |
| of which consumer | 650 | 608 | 141 | 647 | 609 | 170 |
| of which corporate & institutional | 1,654 | 1,622 | 482 | 1,326 | 1,297 | 480 |

## Gross impaired loan detail (continued)

| in | 2Q16 | | | 1Q16 | | | 2Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 185 | 1 | 1 | 197 | 0 | 0 | 177 | 1 | 1 |
| Loans collateralized by securities | 121 | 0 | 0 | 113 | 0 | 0 | 39 | 0 | 0 |
| Consumer finance | 203 | 0 | 0 | 216 | 0 | 0 | 225 | 1 | 1 |
| Consumer | 509 | 1 | 1 | 526 | 0 | 0 | 441 | 2 | 2 |
| Real estate | 66 | 0 | 0 | 76 | 0 | 0 | 65 | 0 | 0 |
| Commercial and industrial loans | 1,034 | 2 | 0 | 902 | 3 | 1 | 597 | 2 | 1 |
| Financial institutions | 164 | 1 | 0 | 168 | 0 | 0 | 147 | 0 | 0 |
| Governments and public institutions | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 1,269 | 3 | 0 | 1,146 | 3 | 1 | 809 | 2 | 1 |
| **Gross impaired loans with a specific allowance** | **1,778** | **4** | **1** | **1,672** | **3** | **1** | **1,250** | **4** | **3** |
| Mortgages | 102 | 1 | 0 | 76 | 1 | 0 | 64 | 1 | 0 |
| Loans collateralized by securities | 18 | 0 | 0 | 25 | 0 | 0 | 42 | 1 | 0 |
| Consumer finance | 23 | 0 | 0 | 7 | 0 | 0 | 7 | 0 | 0 |
| Consumer | 143 | 1 | 0 | 108 | 1 | 0 | 113 | 2 | 0 |
| Real estate | 47 | 0 | 0 | 29 | 0 | 0 | 13 | 0 | 0 |
| Commercial and industrial loans | 307 | 1 | 0 | 219 | 2 | 0 | 35 | 0 | 0 |
| Financial institutions | 0 | 0 | 0 | 3 | 0 | 0 | 1 | 0 | 0 |
| Governments and public institutions | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 362 | 1 | 0 | 251 | 2 | 0 | 49 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **505** | **2** | **0** | **359** | **3** | **0** | **162** | **2** | **0** |
| **Gross impaired loans** | **2,283** | **6** | **1** | **2,031** | **6** | **1** | **1,412** | **6** | **3** |
| of which consumer | 652 | 2 | 1 | 634 | 1 | 0 | 554 | 4 | 2 |
| of which corporate & institutional | 1,631 | 4 | 0 | 1,397 | 5 | 1 | 858 | 2 | 1 |

## Gross impaired loan detail (continued)

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 191 | 1 | 1 | 179 | 1 | 1 |
| Loans collateralized by securities | 118 | 0 | 0 | 49 | 0 | 0 |
| Consumer finance | 210 | 0 | 0 | 226 | 1 | 1 |
| Consumer | 519 | 1 | 1 | 454 | 2 | 2 |
| Real estate | 71 | 0 | 0 | 65 | 0 | 0 |
| Commercial and industrial loans | 976 | 5 | 1 | 573 | 3 | 2 |
| Financial institutions | 167 | 1 | 0 | 141 | 1 | 1 |
| Governments and public institutions | 2 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 1,216 | 6 | 1 | 779 | 4 | 3 |
| **Gross impaired loans with a specific allowance** | **1,735** | **7** | **2** | **1,233** | **6** | **5** |
| Mortgages | 88 | 2 | 0 | 57 | 1 | 0 |
| Loans collateralized by securities | 22 | 0 | 0 | 32 | 1 | 0 |
| Consumer finance | 15 | 0 | 0 | 7 | 0 | 0 |
| Consumer | 125 | 2 | 0 | 96 | 2 | 0 |
| Real estate | 37 | 0 | 0 | 10 | 0 | 0 |
| Commercial and industrial loans | 267 | 3 | 0 | 24 | 0 | 0 |
| Financial institutions | 2 | 0 | 0 | 1 | 0 | 0 |
| Governments and public institutions | 4 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 310 | 3 | 0 | 35 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **435** | **5** | **0** | **131** | **2** | **0** |
| **Gross impaired loans** | **2,170** | **12** | **2** | **1,364** | **8** | **5** |
| of which consumer | 644 | 3 | 1 | 550 | 4 | 2 |
| of which corporate & institutional | 1,526 | 9 | 1 | 814 | 4 | 3 |

## Restructured loans held at amortized cost

| in | 2Q16 | | | 1Q16 | | | 2Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | | | | |
| Commercial and industrial loans | 3 | 44 | 44 | 5 | 15 | 15 | 2 | 21 | 21 |
| **Total** | **3** | **44** | **44** | **5** | **15** | **15** | **2** | **21** | **21** |

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | |
| Commercial and industrial loans | 8 | 59 | 59 | 4 | 92 | 99 |
| **Total** | **8** | **59** | **59** | **4** | **92** | **99** |

In 2Q15 and 6M15, respectively, the Group reported the default of one loan within commercial and industrial loans with a recorded investment amount of CHF 65 million, which had been restructured within the previous 12 months. In 2Q16, 1Q16 and 6M16, the Group did not experience a default on any loan that had been restructured within the previous 12 months.

In 6M16, the loan modifications of the Group included extended repayment terms, including the suspension of annual contractual credit limit reductions, cash margin requirements on new trade finance transactions, waiver of covenants, release of corporate guarantees and waiver of interest.

## 18 Goodwill

### Goodwill

| 2Q16 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Credit Suisse Group |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **603** | **1,523** | **2,258** | **3,172** | **1,011** | **12** | **8,579** |
| Foreign currency translation impact | 6 | 17 | 19 | 6 | 9 | 0 | **57** |
| **Balance at end of period** | **609** | **1,540** | **2,277** | **3,178** | **1,020** | **12** | **8,636** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Balance at end of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **609** | **1,540** | **1,505** | **459** | **632** | **0** | **4,745** |

| 6M16 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Credit Suisse Group |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **610** | **1,573** | **2,294** | **3,183** | **1,027** | **12** | **8,699** |
| Goodwill acquired during the year | 5 | 0 | 0 | 0 | 0 | 0 | **5** |
| Foreign currency translation impact | (5) | (28) | (16) | (5) | (7) | 0 | **(61)** |
| Other | (1) | (5) | (1) | 0 | 0 | 0 | **(7)** |
| **Balance at end of period** | **609** | **1,540** | **2,277** | **3,178** | **1,020** | **12** | **8,636** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Balance at end of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **609** | **1,540** | **1,505** | **459** | **632** | **0** | **4,745** |

In accordance with US GAAP, the Group continually assesses whether or not there has been a triggering event requiring a review of goodwill. As of June 30, 2016, the Group's market capitalization was below book value.

On March 23, 2016, the Group announced a number of strategy measures affecting its Global Markets and Strategic Resolution Unit segments, including business exits and other business reductions in Global Markets. During 2Q16, these strategy measures were implemented together with additional actions that also impacted the Group's other business segments. The Group determined that these changes constituted triggering events. The Group's reporting units were not changed as a result of this announcement and remain defined as follows: Swiss Universal Bank – Private Banking, Swiss Universal Bank – Corporate & Institutional Banking, International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Private Banking, Asia Pacific – Investment Banking, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit.

The carrying value of each reporting unit for purposes of the goodwill impairment test is determined by considering the reporting units' risk-weighted assets usage, leverage ratio exposure, deferred tax assets, goodwill and intangible assets. Any residual equity, after considering the total of these elements, is allocated to the reporting units on a pro-rata basis.

In estimating the fair value of its reporting units, the Group applied a combination of the market approach and income approach. Under the market approach, consideration was given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows, which are determined from the Group's financial plan.

In determining the estimated fair value, the Group relied upon its updated five-year strategic business plan which included significant management assumptions and estimates based on its view of current and future economic conditions and regulatory changes.

Goodwill is tested for impairment before and immediately after a reorganization or restructuring of reporting units. As a result, the goodwill impairment test was performed as of March 31, 2016 under the old business structure and then again under the modified structure according to the announcement on March 23, 2016. The goodwill impairment analysis performed as of June 30, 2016 considered the impact from the additional actions in 2Q16 and the

Group concluded that the estimated fair value for all of its reporting units with goodwill substantially exceeded their related carrying values and that no impairment was necessary.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets reporting unit as of March 31, 2016. The valuations were also performed using a combination of the market approach and income approach.

The results of the impairment evaluation of each reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a significant margin from its best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, the Group could potentially incur material impairment charges in the future.

## 19 Other assets and other liabilities

| end of | **2Q16** | 1Q16 | 4Q15 |
|---|---|---|---|
| **Other assets (CHF million)** | | | |
| Cash collateral on derivative instruments | 10,055 | 8,121 | 7,921 |
| Cash collateral on non-derivative transactions | 987 | 412 | 327 |
| Derivative instruments used for hedging | 168 | 294 | 186 |
| Assets held-for-sale | 12,972 | 13,187 | 26,061 |
| of which loans [1] | 12,782 | 12,981 | 25,839 |
| of which real estate [2] | 161 | 171 | 182 |
| of which long-lived assets | 29 | 35 | 40 |
| Assets held for separate accounts | 625 | 907 | 1,307 |
| Interest and fees receivable | 5,370 | 5,196 | 5,658 |
| Deferred tax assets | 6,319 | 6,341 | 6,179 |
| Prepaid expenses | 528 | 520 | 448 |
| Failed purchases | 2,923 | 2,885 | 2,770 |
| Other | 6,336 | 6,764 | 7,160 |
| **Other assets** | **46,283** | **44,627** | **58,017** |
| **Other liabilities (CHF million)** | | | |
| Cash collateral on derivative instruments | 12,773 | 12,625 | 13,989 |
| Cash collateral on non-derivative transactions | 360 | 420 | 518 |
| Derivative instruments used for hedging | 303 | 235 | 110 |
| Deposits held-for-sale | 2,420 | 2,690 | 0 |
| Provisions | 1,532 | 1,644 | 1,851 |
| of which off-balance sheet risk | 95 | 108 | 88 |
| Restructuring liabilities | 299 | 280 | 199 |
| Liabilities held for separate accounts | 625 | 907 | 1,307 |
| Interest and fees payable | 6,225 | 5,231 | 6,011 |
| Current tax liabilities | 757 | 841 | 608 |
| Deferred tax liabilities | 48 | 50 | 54 |
| Failed sales | 1,102 | 1,378 | 1,551 |
| Other | 13,081 | 14,014 | 16,033 |
| **Other liabilities** | **39,525** | **40,315** | **42,231** |

[1] Included as of the end of 2Q16, 1Q16 and 4Q15 were CHF 802 million, CHF 968 million and CHF 1,135 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 72 million, CHF 73 million and CHF 60 million, respectively, in loans held in trusts, which were consolidated as a result of failed sales under US GAAP.

[2] As of the end of 2Q16, 1Q16 and 4Q15, real estate held-for-sale included foreclosed or repossessed real estate of CHF 21 million, CHF 35 million and CHF 31 million, respectively, of which CHF 13 million, CHF 6 million and CHF 3 million, respectively were related to residential real estate.

## 20 Long-term debt

### Long-term debt

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Long-term debt (CHF million)** | | | |
| Senior | 174,394 | 157,849 | 157,986 |
| Subordinated | 24,052 | 23,494 | 24,796 |
| Non-recourse liabilities from consolidated VIEs | 1,780 | 2,147 | 14,826 |
| **Long-term debt** | **200,226** | **183,490** | **197,608** |
| of which reported at fair value | 73,922 | 69,104 | 80,931 |
| of which structured notes | 60,446 | 55,006 | 54,848 |

### Structured notes by product

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Structured notes (CHF million)** | | | |
| Equity | 35,490 | 33,421 | 35,594 |
| Fixed income | 16,398 | 13,805 | 11,534 |
| Credit | 5,618 | 5,505 | 5,261 |
| Other | 2,940 | 2,275 | 2,459 |
| **Total structured notes** | **60,446** | **55,006** | **54,848** |

## 21 Accumulated other comprehensive income and additional share information

### Accumulated other comprehensive income/(loss)

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | Gains/ (losses) on liabilities relating to credit risk | **Accumulated other comprehensive income/ (loss)** |
|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **31** | **(13,452)** | **65** | **(4,567)** | **579** | **1,741** | **(15,603)** |
| Increase/(decrease) | 26 | 322 | 2 | 0 | 0 | (69) | 281 |
| Increase/(decrease) due to equity method investments | (3) | 0 | 0 | 0 | 0 | 0 | (3) |
| Reclassification adjustments, included in net income/(loss) | (3) | 9 | 0 | 82 | (25) | 0 | 63 |
| Total increase/(decrease) | 20 | 331 | 2 | 82 | (25) | (69) | 341 |
| **Balance at end of period** | **51** | **(13,121)** | **67** | **(4,485)** | **554** | **1,672** | **(15,262)** |
| **1Q16 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(15)** | **(12,615)** | **60** | **(4,672)** | **607** | **–** | **(16,635)** |
| Increase/(decrease) | 47 | (886) | 5 | 22 | 0 | 1,266 | 454 |
| Increase/(decrease) due to equity method investments | (3) | 0 | 0 | 0 | 0 | 0 | (3) |
| Reclassification adjustments, included in net income/(loss) | 2 | 49 | 0 | 83 | (28) | 0 | 106 |
| Cumulative effect of accounting changes, net of tax | 0 | 0 | 0 | 0 | 0 | 475 | 475 |
| Total increase/(decrease) | 46 | (837) | 5 | 105 | (28) | 1,741 | 1,032 |
| **Balance at end of period** | **31** | **(13,452)** | **65** | **(4,567)** | **579** | **1,741** | **(15,603)** |
| **2Q15 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(23)** | **(12,947)** | **74** | **(3,921)** | **431** | **–** | **(16,386)** |
| Increase/(decrease) | 25 | (1,027) | (11) | 6 | 0 | – | (1,007) |
| Increase/(decrease) due to equity method investments | (1) | 0 | 0 | 0 | 0 | – | (1) |
| Reclassification adjustments, included in net income/(loss) | 7 | 4 | (1) | 86 | (22) | – | 74 |
| Total increase/(decrease) | 31 | (1,023) | (12) | 92 | (22) | – | (934) |
| **Balance at end of period** | **8** | **(13,970)** | **62** | **(3,829)** | **409** | **–** | **(17,320)** |
| **6M16 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(15)** | **(12,615)** | **60** | **(4,672)** | **607** | **–** | **(16,635)** |
| Increase/(decrease) | 73 | (564) | 7 | 22 | 0 | 1,197 | 735 |
| Increase/(decrease) due to equity method investments | (6) | 0 | 0 | 0 | 0 | 0 | (6) |
| Reclassification adjustments, included in net income/(loss) | (1) | 58 | 0 | 165 | (53) | 0 | 169 |
| Cumulative effect of accounting changes, net of tax | 0 | 0 | 0 | 0 | 0 | 475 | 475 |
| Total increase/(decrease) | 66 | (506) | 7 | 187 | (53) | 1,672 | 1,373 |
| **Balance at end of period** | **51** | **(13,121)** | **67** | **(4,485)** | **554** | **1,672** | **(15,262)** |
| **6M15 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(31)** | **(11,478)** | **64** | **(4,010)** | **452** | **–** | **(15,003)** |
| Increase/(decrease) | 43 | (2,498) | (1) | 7 | 0 | – | (2,449) |
| Increase/(decrease) due to equity method investments | (17) | 0 | 0 | 0 | 0 | – | (17) |
| Reclassification adjustments, included in net income/(loss) | 13 | 6 | (1) | 174 | (43) | – | 149 |
| Total increase/(decrease) | 39 | (2,492) | (2) | 181 | (43) | – | (2,317) |
| **Balance at end of period** | **8** | **(13,970)** | **62** | **(3,829)** | **409** | **–** | **(17,320)** |

## Details on significant reclassification adjustments

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Reclassification adjustments, included in net income/(loss) (CHF million)** | | | | | |
| **Cumulative translation adjustments** | | | | | |
| Reclassification adjustments [1] | **9** | **49** | **4** | **58** | **6** |
| **Actuarial gains/(losses)** | | | | | |
| Amortization of recognized actuarial losses [2] | 105 | 107 | 110 | 212 | 222 |
| Tax expense/(benefit) | (23) | (24) | (24) | (47) | (48) |
| **Net of tax** | **82** | **83** | **86** | **165** | **174** |
| **Net prior service credit/(cost)** | | | | | |
| Amortization of recognized prior service credit/(cost) [2] | (32) | (36) | (29) | (68) | (57) |
| Tax expense | 7 | 8 | 7 | 15 | 14 |
| **Net of tax** | **(25)** | **(28)** | **(22)** | **(53)** | **(43)** |

[1] Includes net releases of CHF 3 million and CHF 52 million on the sale of Credit Suisse (Gibraltar) Limited in 2Q16 and 1Q16, respectively. These were reclassified from cumulative translation adjustments and included in net income in other revenues.
[2] These components are included in the computation of total benefit costs. Refer to "Note 25 – Pension and other post-retirement benefits" for further information.

## Additional share information

| | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Common shares issued** | | | | | |
| **Balance at beginning of period** | **1,957,379,244** | **1,957,379,244** | **1,607,168,947** | **1,957,379,244** | **1,607,168,947** |
| Issuance of common shares | 132,518,134 | 0 | 31,226,399 | 132,518,134 | 31,226,399 |
| of which share-based compensation | 30,000,000 | 0 | 0 | 30,000,000 | 0 |
| **Balance at end of period** | **2,089,897,378** | **1,957,379,244** | **1,638,395,346** | **2,089,897,378** | **1,638,395,346** |
| **Treasury shares** | | | | | |
| **Balance at beginning of period** | **(10,939,863)** | **(5,910,224)** | **(43,695,094)** | **(5,910,224)** | **(7,666,658)** |
| Sale of treasury shares | 474,842,916 | 190,347,314 | 220,985,925 | 665,190,230 | 301,511,352 |
| Repurchase of treasury shares | (482,072,771) | (196,089,371) | (224,833,683) | (678,162,142) | (342,146,721) |
| Share-based compensation | 9,636,105 | 712,418 | 41,575,944 | 10,348,523 | 42,335,119 |
| **Balance at end of period** | **(8,533,613)** | **(10,939,863)** | **(5,966,908)** | **(8,533,613)** | **(5,966,908)** |
| **Common shares outstanding** | | | | | |
| **Balance at end of period** | **2,081,363,765** [1] | **1,946,439,381** [2] | **1,632,428,438** [3] | **2,081,363,765** [1] | **1,632,428,438** [3] |

[1] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 653,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 518,996,021 of these shares were reserved for capital instruments.
[2] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 515,145,579 of these shares were reserved for capital instruments.
[3] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.

## 22 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:

- are offset in the Group's consolidated balance sheets; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

**Derivatives**

The Group transacts bilateral OTC derivatives mainly under the International Swaps and Derivatives Association (ISDA) Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Group to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values (NRV) and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Exchange-traded derivatives or OTC-cleared derivatives, that are fully margined and for which the daily margin payments constitute settlement of the outstanding exposure, are not included in the offsetting disclosures because they are not subject to offsetting due to the daily settlement. The daily margin payments, which are not settled until the next settlement cycle is conducted, are presented in brokerage receivables or brokerage payables. The notional amount for these daily settled derivatives is included in the fair value of derivative instruments table in "Note 26 – Derivatives and hedging activities".

Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and trading liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of derivatives

| end of | 2Q16 | | 4Q15 | |
|---|---|---|---|---|
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 28.1 | 24.0 | 15.7 | 14.5 |
| OTC | 191.8 | 187.5 | 153.0 | 146.5 |
| Exchange-traded | 0.1 | 0.2 | 0.0 | 0.0 |
| **Interest rate products** | **220.0** | **211.7** | **168.7** | **161.0** |
| OTC-cleared | 0.1 | 0.3 | 0.0 | 0.0 |
| OTC | 58.9 | 70.0 | 58.1 | 68.2 |
| Exchange-traded | 0.5 | 0.1 | 0.3 | 0.3 |
| **Foreign exchange products** | **59.5** | **70.4** | **58.4** | **68.5** |
| OTC-cleared | 0.1 | 0.3 | 0.0 | 0.0 |
| OTC | 11.6 | 13.8 | 12.0 | 13.3 |
| Exchange-traded | 12.2 | 15.2 | 8.9 | 11.2 |
| **Equity/index-related products** | **23.9** | **29.3** | **20.9** | **24.5** |
| OTC-cleared | 1.8 | 2.1 | 3.8 | 4.0 |
| OTC | 11.6 | 11.5 | 13.5 | 12.4 |
| **Credit derivatives** | **13.4** | **13.6** | **17.3** | **16.4** |
| OTC-cleared | 0.1 | 0.0 | 0.0 | 0.0 |
| OTC | 2.2 | 1.3 | 2.6 | 1.5 |
| Exchange-traded | 0.0 | 0.0 | 0.1 | 0.1 |
| **Other products** | **2.3** | **1.3** | **2.7** | **1.6** |
| OTC-cleared | 30.2 | 26.7 | 19.5 | 18.5 |
| OTC | 276.1 | 284.1 | 239.2 | 241.9 |
| Exchange-traded | 12.8 | 15.5 | 9.3 | 11.6 |
| **Total gross derivatives subject to enforceable master netting agreements** | **319.1** | **326.3** | **268.0** | **272.0** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (27.4) | (26.2) | (19.0) | (18.5) |
| OTC | (255.2) | (265.7) | (217.1) | (226.5) |
| Exchange-traded | (12.1) | (13.4) | (9.0) | (9.9) |
| **Offsetting** | **(294.7)** | **(305.3)** | **(245.1)** | **(254.9)** |
| of which counterparty netting | (265.7) | (265.7) | (223.0) | (223.0) |
| of which cash collateral netting | (29.0) | (39.6) | (22.1) | (31.9) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 2.8 | 0.5 | 0.5 | 0.0 |
| OTC | 20.9 | 18.4 | 22.1 | 15.4 |
| Exchange-traded | 0.7 | 2.1 | 0.3 | 1.7 |
| **Total net derivatives subject to enforceable master netting agreements** | **24.4** | **21.0** | **22.9** | **17.1** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **5.3** | **6.3** | **5.7** | **6.5** |
| **Total net derivatives presented in the consolidated balance sheets** | **29.7** | **27.3** | **28.6** | **23.6** |
| of which recorded in trading assets and trading liabilities | 29.5 | 27.0 | 28.4 | 23.5 |
| of which recorded in other assets and other liabilities | 0.2 | 0.3 | 0.2 | 0.1 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

**Reverse repurchase and repurchase agreements and securities lending and borrowing transactions**

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Transactions under such agreements are netted in the consolidated balance sheets if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheets if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheets. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheets.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of June 30, 2016 and December 31, 2015. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

**Offsetting of securities purchased under resale agreements and securities borrowing transactions**

| end of | 2Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | **Net** | Gross | Offsetting | **Net** |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 80.7 | (17.7) | 63.0 | 92.0 | (19.6) | 72.4 |
| Securities borrowing transactions | 24.2 | (4.6) | 19.6 | 21.4 | (3.9) | 17.5 |
| **Total subject to enforceable master netting agreements** | **104.9** | **(22.3)** | **82.6** | **113.4** | **(23.5)** | **89.9** |
| **Total not subject to enforceable master netting agreements** [1] | **39.5** | **–** | **39.5** | **33.1** | **–** | **33.1** |
| **Total** | **144.4** | **(22.3)** | **122.1** [2] | **146.5** | **(23.5)** | **123.0** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

[2] CHF 79,927 million and CHF 83,565 million of the total net amount as of the end of 2Q16 and 4Q15, respectively, are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

### Offsetting of securities sold under repurchase agreements and securities lending transactions

| end of | 2Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | **Net** | Gross | Offsetting | **Net** |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 42.1 | (19.5) | 22.6 | 43.2 | (21.4) | 21.8 |
| Securities lending transactions | 8.9 | (2.8) | 6.1 | 9.8 | (2.1) | 7.7 |
| Obligation to return securities received as collateral, at fair value | 16.9 | 0.0 | 16.9 | 19.4 | 0.0 | 19.4 |
| **Total subject to enforceable master netting agreements** | **67.9** | **(22.3)** | **45.6** | **72.4** | **(23.5)** | **48.9** |
| **Total not subject to enforceable master netting agreements** [1] | **12.9** | **–** | **12.9** | **26.2** | **–** | **26.2** |
| **Total** | **80.8** | **(22.3)** | **58.5** | **98.6** | **(23.5)** | **75.1** |
| of which securities sold under repurchase agreements and securities lending transactions | 54.8 | (22.3) | 32.5 [2] | 70.1 | (23.5) | 46.6 [2] |
| of which obligation to return securities received as collateral, at fair value | 26.0 | 0.0 | 26.0 | 28.5 | 0.0 | 28.5 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

[2] CHF 18,114 million and CHF 32,398 million of the total net amount as of the end of 2Q16 and 4Q15, respectively, are reported at fair value.

The following table presents the net amount presented in the consolidated balance sheets of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheets. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

### Amounts not offset in the consolidated balance sheets

| end of | 2Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 24.4 | 6.1 | 0.1 | 18.2 | 22.9 | 6.2 | 0.8 | 15.9 |
| Securities purchased under resale agreements | 63.0 | 63.0 | 0.0 | 0.0 | 72.4 | 72.4 | 0.0 | 0.0 |
| Securities borrowing transactions | 19.6 | 19.1 | 0.0 | 0.5 | 17.5 | 17.1 | 0.0 | 0.4 |
| **Total financial assets subject to enforceable master netting agreements** | **107.0** | **88.2** | **0.1** | **18.7** | **112.8** | **95.7** | **0.8** | **16.3** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 21.0 | 5.6 | 0.0 | 15.4 | 17.1 | 3.4 | 0.0 | 13.7 |
| Securities sold under repurchase agreements | 22.6 | 22.6 | 0.0 | 0.0 | 21.8 | 21.8 | 0.0 | 0.0 |
| Securities lending transactions | 6.1 | 6.0 | 0.0 | 0.1 | 7.7 | 7.4 | 0.0 | 0.3 |
| Obligation to return securities received as collateral, at fair value | 16.9 | 16.4 | 0.0 | 0.5 | 19.4 | 18.5 | 0.0 | 0.9 |
| **Total financial liabilities subject to enforceable master netting agreements** | **66.6** | **50.6** | **0.0** | **16.0** | **66.0** | **51.1** | **0.0** | **14.9** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of credit default swaps (CDS) and credit insurance contracts. Therefore, the net exposure presented in the table above is not representative of the Group's counterparty exposure.

## 23 Tax

The income tax expense of CHF 21 million recorded in 2Q16 mainly reflected the impact of the geographical mix of results.

The quarterly income tax expense includes the impact of the continuous reassessment of the estimated annual effective tax rate as well as the impact of items that need to be recorded in the specific interim period in which they occur.

Net deferred tax assets related to net operating losses, net deferred tax assets on temporary differences and net deferred tax liabilities are presented in the following manner. Nettable gross deferred tax liabilities are allocated on a pro-rata basis to gross deferred tax assets on net operating losses and gross deferred tax assets on temporary differences. This approach is aligned with the underlying treatment of netting gross deferred tax assets and liabilities under the Basel III framework. Valuation allowances have been allocated against such deferred tax assets on net operating losses first with any remainder allocated to such deferred tax assets on temporary differences. This presentation is considered the most appropriate disclosure given the underlying nature of the gross deferred tax balances.

As of June 30, 2016, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 4.7 billion which are considered indefinitely reinvested. The Group would need to accrue and pay taxes on these undistributed earnings if such earnings were repatriated. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date. It is reasonably possible that there will be a decrease between zero and CHF 7 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Japan – 2012; Switzerland – 2011; Brazil – 2010; the US – 2010; the UK – 2009; and the Netherlands – 2005.

### Effective tax rate

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Effective tax rate (%)** | **10.6** | 37.0 | 35.6 | **55.4** | 33.7 |

### Tax expense reconciliation

| in | 2Q16 |
|---|---|
| CHF million | |
| **Income tax expense computed at the Swiss statutory tax rate of 22%** | **44** |
| Increase/(decrease) in income taxes resulting from | |
| Foreign tax rate differential | 63 |
| Other non-deductible expenses | (109) |
| Changes in deferred tax valuation allowance | (46) |
| Lower taxed income | 60 |
| Change in recognition of outside basis difference | 145 |
| Other | (136) |
| **Income tax expense** | **21** |

### Foreign tax rate differential

2Q16 included a foreign tax expense of CHF 63 million in respect of earnings in higher tax jurisdictions, such as the US, as well as earnings in lower tax jurisdictions, such as Singapore.

### Other non-deductible expenses

2Q16 included the reversal of the over-accrual of non-deductible interest expenses of CHF 81 million and non-deductible bank levy costs and other non-deductible expenses of CHF 28 million.

### Changes in deferred tax valuation allowance

2Q16 included the impact of the decrease of valuation allowances of CHF 61 million mainly in respect of two of the Group's operating entities, both in the UK, and an increase of valuation allowances of CHF 15 million mainly in respect of one of the Group's operating entities in Switzerland, related to estimated current year earnings.

### Lower taxed income

2Q16 included the partial reversal of the previously reported impacts of a beneficial earnings mix in one of the Group's operating entities in Switzerland of CHF 22 million, CHF 16 million related to non-taxable life insurance income, CHF 12 million related to exempt income and CHF 10 million relating to non-taxable foreign exchange gains.

### Change in recognition of outside basis difference

2Q16 included a CHF 145 million income tax expense related to a change in the outside basis difference relating to Swiss subsidiary investments.

### Other

2Q16 included a tax benefit of CHF 95 million relating to the reassessment of deferred tax balances in one of the Group's operating entities in Switzerland, a tax benefit of CHF 41 million from the reduction in own-credit revaluation gains, a tax benefit of CHF 15 million from prior year adjustments and a tax benefit of CHF 8 million relating to the decrease of tax contingency accruals. The remaining balance included various smaller items.

### Net deferred tax assets

| end of | 2Q16 | 1Q16 |
|---|---|---|
| **Net deferred tax assets (CHF million)** | | |
| Deferred tax assets | 6,319 | 6,341 |
| of which net operating losses | 2,594 | 2,348 |
| of which deductible temporary differences | 3,725 | 3,993 |
| Deferred tax liabilities | (48) | (50) |
| **Net deferred tax assets** | **6,271** | **6,291** |

## 24 Employee deferred compensation

The Group's current and previous deferred compensation plans include share awards, performance share awards, CCA, Capital Opportunity Facility awards, Plus Bond awards, Partner Asset Facilities awards, Restricted Cash Awards and other cash awards.

▸ Refer to "Note 29 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

The following tables show the compensation expense for deferred compensation awards recognized in the consolidated statements of operations, the estimated unrecognized expense for deferred compensation awards granted in 2Q16 and prior periods and the remaining requisite service period over which the unrecognized expense will be recognized. The estimated unrecognized compensation expense was based on the fair value of each award on the grant date and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments.

### Deferred compensation expense

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | | | |
| Share awards | 141 | 195 | 209 | 336 | 446 |
| Performance share awards | 87 | 119 | 137 | 206 | 304 |
| Contingent Capital Awards | 43 | 19 | 75 | 62 | 196 |
| Contingent Capital share awards | 6 | – | – | 6 | – |
| Capital Opportunity Facility awards | 3 | 3 | 3 | 6 | 7 |
| Plus Bond awards [1] | 0 | 5 | 5 | 5 | 11 |
| 2011 Partner Asset Facility awards [2] | 0 | 0 | 0 | 0 | 1 |
| Restricted Cash Awards | 0 | 0 | 11 | 0 | 21 |
| 2008 Partner Asset Facility awards [3] | (8) | (8) | 10 | (16) | 22 |
| Other cash awards | 102 | 33 | 90 | 135 | 218 |
| **Total deferred compensation expense** | **374** | **366** | **540** | **740** | **1,226** |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in 1Q13 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in underlying fair value of the indexed assets prior to the CCA conversion.
[3] Compensation expense mainly includes the change in underlying fair value of the indexed assets during the period.

### Estimated unrecognized deferred compensation

| end of | 2Q16 |
|---|---|
| **Estimated unrecognized compensation expense (CHF million)** | |
| Share awards | 703 |
| Performance share awards | 308 |
| Contingent Capital Awards | 211 |
| Contingent Capital share awards | 58 |
| Other cash awards | 281 |
| **Total** | **1,561** |
| **Weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.2 |

### 2Q16 activity

In 2Q16, the Group granted a special cash award of CHF 183 million, which will be expensed over a two-year period from the grant date.

### Share-based award activity

| | 2Q16 | | | 6M16 | | |
|---|---|---|---|---|---|---|
| Number of awards (in millions) | Share awards | Performance share awards | Contingent Capital share awards | Share awards | Performance share awards | Contingent Capital share awards |
| **Share-based award activities** | | | | | | |
| **Balance at beginning of period** | **110.6** | **77.3** | **15.6** | **80.3** | **55.9** | **0.0** |
| Granted | 1.9 | 0.0 | 0.8 | 33.5 | 21.4 | 16.4 |
| Settled | (33.8) | (26.3) | (2.6) | (35.0) | (26.3) | (2.6) |
| Forfeited | (6.4) | (1.0) | 0.0 | (6.5) | (1.0) | 0.0 |
| **Balance at end of period** | **72.3** | **50.0** | **13.8** | **72.3** | **50.0** | **13.8** |
| of which vested | 5.1 | 3.0 | 0.3 | 5.1 | 3.0 | 0.3 |
| of which unvested | 67.2 | 47.0 | 13.5 | 67.2 | 47.0 | 13.5 |

## 25 Pension and other post-retirement benefits

The Group expects to contribute CHF 643 million to the Swiss and international defined benefit plans and other post-retirement defined benefit plans in 2016. As of the end of 2Q16, CHF 451 million of contributions had been made.

### Components of total benefit costs

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Total benefit costs (CHF million)** | | | | | |
| Service costs on benefit obligation | 78 | 77 | 80 | 155 | 159 |
| Interest costs on benefit obligation | 70 | 70 | 81 | 140 | 161 |
| Expected return on plan assets | (178) | (178) | (196) | (356) | (391) |
| Amortization of recognized prior service cost/(credit) | (29) | (29) | (28) | (58) | (55) |
| Amortization of recognized actuarial losses | 105 | 105 | 110 | 210 | 221 |
| **Net periodic benefit costs** | **46** | **45** | **47** | **91** | **95** |
| Settlement losses | 0 | 2 | 0 | 2 | 1 |
| Curtailment losses/(gains) | (3) | (7) | (1) | (10) | (2) |
| Special termination benefits | 3 | 1 | 3 | 4 | 4 |
| **Total benefit costs** | **46** | **41** | **49** | **87** | **98** |

## 26 Derivatives and hedging activities

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 29 – Financial instruments" for further information.

### Fair value of derivative instruments

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 2Q16 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 9,125.6 | 3.2 | 3.5 | 0.0 | 0.0 | 0.0 |
| Swaps | 14,860.7 | 151.8 | 146.2 | 46.2 | 1.6 | 1.3 |
| Options bought and sold (OTC) | 2,523.5 | 64.9 | 62.5 | 0.0 | 0.0 | 0.0 |
| Futures | 755.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 330.8 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **27,596.5** | **220.0** | **212.4** | **46.2** | **1.6** | **1.3** |
| Forwards | 1,099.8 | 19.0 | 18.7 | 10.9 | 0.0 | 0.1 |
| Swaps | 933.7 | 32.7 | 43.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 474.8 | 9.0 | 9.8 | 5.5 | 0.0 | 0.0 |
| Futures | 26.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 16.9 | 0.5 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **2,552.0** | **61.2** | **72.1** | **16.4** | **0.0** | **0.1** |
| Forwards | 2.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 175.4 | 4.7 | 7.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 240.0 | 8.3 | 8.2 | 0.0 | 0.0 | 0.0 |
| Futures | 47.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 336.3 | 12.4 | 15.4 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **801.7** | **25.4** | **30.7** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **813.3** | **13.6** | **14.0** | **0.0** | **0.0** | **0.0** |
| Forwards | 7.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 20.1 | 2.2 | 1.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 15.4 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| Futures | 14.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 2.9 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **60.0** | **2.6** | **2.0** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **31,823.5** | **322.8** | **331.2** | **62.6** | **1.6** | **1.4** |

The notional amount, PRV and NRV (trading and hedging) was CHF 31,886.1 billion, CHF 324.4 billion and CHF 332.6 billion, respectively, as of June 30, 2016.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 4Q15 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 7,229.5 | 1.0 | 1.2 | 0.0 | 0.0 | 0.0 |
| Swaps | 16,737.7 | 118.3 | 112.8 | 54.3 | 1.3 | 1.0 |
| Options bought and sold (OTC) | 2,856.0 | 49.2 | 47.4 | 0.0 | 0.0 | 0.0 |
| Futures | 1,789.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 198.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **28,811.5** | **168.6** | **161.4** | **54.3** | **1.3** | **1.0** |
| Forwards | 1,498.4 | 16.6 | 16.9 | 10.7 | 0.0 | 0.1 |
| Swaps | 1,050.7 | 30.5 | 40.8 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 534.8 | 12.8 | 12.8 | 8.2 | 0.0 | 0.0 |
| Futures | 22.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 13.0 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **3,119.4** | **60.2** | **70.8** | **18.9** | **0.0** | **0.1** |
| Forwards | 1.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 203.8 | 5.1 | 6.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 193.1 | 8.4 | 7.5 | 0.0 | 0.0 | 0.0 |
| Futures | 39.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 284.4 | 9.1 | 11.4 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **722.5** | **22.6** | **25.7** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **831.9** | **17.8** | **17.3** | **0.0** | **0.0** | **0.0** |
| Forwards | 6.3 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 19.6 | 2.6 | 1.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 8.8 | 0.4 | 0.3 | 0.0 | 0.0 | 0.0 |
| Futures | 11.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 1.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **47.7** | **3.2** | **2.2** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **33,533.0** | **272.4** | **277.4** | **73.2** | **1.3** | **1.1** |

The notional amount, PRV and NRV (trading and hedging) was CHF 33,606.2 billion, CHF 273.7 billion and CHF 278.5 billion, respectively, as of December 31, 2015.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Netting of derivative instruments

▸ Refer to "Derivatives" in Note 22 – Offsetting of financial assets and financial liabilities for further information of the netting of derivative instruments.

## Fair value hedges

| in | **2Q16** | 1Q16 | 2Q15 | **6M16** | 6M15 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | | | |
| Interest rate products | 689 | 1,218 | (606) | 1,907 | (559) |
| Foreign exchange products | 0 | 0 | 0 | 0 | 2 |
| **Total** | **689** | **1,218** | **(606)** | **1,907** | **(557)** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | | | |
| Interest rate products | (751) | (1,320) | 619 | (2,071) | 577 |
| Foreign exchange products | 0 | 0 | 0 | 0 | (2) |
| **Total** | **(751)** | **(1,320)** | **619** | **(2,071)** | **575** |
| **Details of fair value hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion | (62) | (102) | 13 | (164) | 18 |

Represents gains/(losses) recognized in trading revenues.

### Cash flow hedges

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Interest rate products | 35 | 62 | (5) | 97 | 54 |
| Foreign exchange products | (4) | (5) | 29 | (9) | (21) |
| **Total** | **31** | **57** | **24** | **88** | **33** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | | | |
| Interest rate products | 8 [1] | 8 [1] | 9 [1,2] | 16 [1] | 18 [1,2] |
| Foreign exchange products | (2) [2,3,4] | (9) [3,4] | (16) [2,3,4] | (11) [2,3,4] | (31) [2,3,4] |
| Total | **6** | **(1)** | **(7)** | **5** | **(13)** |
| **Details of cash flow hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion [2] | (1) | 32 | (6) | 31 | (2) |

Represents gains/(losses) on effective portion.
[1] Included in interest and dividend income.
[2] Included in trading revenues.
[3] Included in other revenues.
[4] Included in total other operating expenses.

As of the end of 2Q16, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

The net gain associated with cash flow hedges expected to be reclassified from accumulated other comprehensive income/loss (AOCI) within the next 12 months is CHF 27 million.

### Net investment hedges

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Foreign exchange products | (232) | (20) | 321 | (252) | 808 |
| **Total** | **(232)** | **(20)** | **321** | **(252)** | **808** |

Represents gains/(losses) on effective portion.

The Group includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

Certain of the Group's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty, at the existing mark-to-market replacement value of the derivative contract.

The following table provides the Group's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and SPEs that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch, two-notch and a three-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

## Contingent credit risk

| end of | 2Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 14.3 | 0.5 | 1.2 | **16.0** | 13.2 | 0.5 | 1.4 | **15.1** |
| Collateral posted | 13.3 | 0.5 | – | **13.8** | 12.3 | 0.5 | – | **12.8** |
| Additional collateral required in a one-notch downgrade event | 0.3 | 0.5 | 0.1 | **0.9** | 0.7 | 0.4 | 0.1 | **1.2** |
| Additional collateral required in a two-notch downgrade event | 1.5 | 0.8 | 0.6 | **2.9** | 1.8 | 0.7 | 0.6 | **3.1** |
| Additional collateral required in a three-notch downgrade event | 1.8 | 0.9 | 0.8 | **3.5** | 2.1 | 1.3 | 0.8 | **4.2** |

## Credit derivatives

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on credit derivatives.

### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" tables. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other derivative instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 8.8 billion and CHF 7.8 billion as of the end of 2Q16 and 4Q15, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

## Credit protection sold/purchased

| end of | 2Q16 | | | | | 4Q15 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (183.4) | 174.5 | (8.9) | 20.7 | 1.0 | (199.6) | 188.6 | (11.0) | 26.9 | 1.0 |
| Non-investment grade | (64.3) | 62.2 | (2.1) | 11.8 | (1.4) | (65.2) | 61.1 | (4.1) | 15.7 | (3.2) |
| **Total single-name instruments** | **(247.7)** | **236.7** | **(11.0)** | **32.5** | **(0.4)** | **(264.8)** | **249.7** | **(15.1)** | **42.6** | **(2.2)** |
| of which sovereign | (46.9) | 42.9 | (4.0) | 7.1 | (1.1) | (47.5) | 43.9 | (3.6) | 6.1 | (1.1) |
| of which non-sovereign | (200.8) | 193.8 | (7.0) | 25.4 | 0.7 | (217.3) | 205.8 | (11.5) | 36.5 | (1.1) |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (103.4) | 101.4 | (2.0) | 32.0 | (0.7) | (89.1) | 88.3 | (0.8) | 31.6 | (0.5) |
| Non-investment grade | (21.6) | 15.7 [3] | (5.9) | 4.5 | 0.4 | (24.4) | 18.0 [3] | (6.4) | 6.2 | 0.2 |
| **Total multi-name instruments** | **(125.0)** | **117.1** | **(7.9)** | **36.5** | **(0.3)** | **(113.5)** | **106.3** | **(7.2)** | **37.8** | **(0.3)** |
| of which sovereign | (0.6) | 0.6 | 0.0 | 0.8 | 0.0 | (1.0) | 1.0 | 0.0 | 1.0 | 0.0 |
| of which non-sovereign | (124.4) | 116.5 | (7.9) | 35.7 | (0.3) | (112.5) | 105.3 | (7.2) | 36.8 | (0.3) |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (286.8) | 275.9 | (10.9) | 52.7 | 0.3 | (288.7) | 276.9 | (11.8) | 58.5 | 0.5 |
| Non-investment grade | (85.9) | 77.9 | (8.0) | 16.3 | (1.0) | (89.6) | 79.1 | (10.5) | 21.9 | (3.0) |
| **Total instruments** | **(372.7)** | **353.8** | **(18.9)** | **69.0** | **(0.7)** | **(378.3)** | **356.0** | **(22.3)** | **80.4** | **(2.5)** |
| of which sovereign | (47.5) | 43.5 | (4.0) | 7.9 | (1.1) | (48.5) | 44.9 | (3.6) | 7.1 | (1.1) |
| of which non-sovereign | (325.2) | 310.3 | (14.9) | 61.1 | 0.4 | (329.8) | 311.1 | (18.7) | 73.3 | (1.4) |

[1] Represents credit protection purchased with identical underlyings and recoveries.
[2] Based on internal ratings of BBB and above.
[3] Includes the Clock Finance transaction.

### Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events.

### Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold.

### Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

### Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

**Credit derivatives**

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 372.7 | 378.3 |
| Credit protection purchased | 353.8 | 356.0 |
| Other protection purchased | 69.0 | 80.4 |
| Other instruments [1] | 17.8 | 17.2 |
| **Total credit derivatives** | **813.3** | **831.9** |

[1] Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

**Maturity of credit protection sold**

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | Total |
|---|---|---|---|---|
| **2Q16 (CHF billion)** | | | | |
| Single-name instruments | 54.1 | 177.1 | 16.5 | 247.7 |
| Multi-name instruments | 17.6 | 98.8 | 8.6 | 125.0 |
| **Total instruments** | **71.7** | **275.9** | **25.1** | **372.7** |
| **4Q15 (CHF billion)** | | | | |
| Single-name instruments | 52.1 | 196.4 | 16.3 | 264.8 |
| Multi-name instruments | 19.0 | 84.9 | 9.6 | 113.5 |
| **Total instruments** | **71.1** | **281.3** | **25.9** | **378.3** |

## 27 Guarantees and commitments

### Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate Credit Suisse to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Group's current best estimate of payments that will be required under existing guarantee arrangements.

Guarantees provided by the Group are classified as follows: credit guarantees and similar instruments, performance guarantees and similar instruments, derivatives and other guarantees. The Group no longer provides guarantees for securities lending indemnifications.

▸ Refer to "Guarantees" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a detailed description of guarantees.

## Guarantees

| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,100 | 1,120 | 3,220 | 2,991 | 10 | 1,729 |
| Performance guarantees and similar instruments | 4,481 | 2,547 | 7,028 | 6,155 | 90 | 2,932 |
| Derivatives [2] | 28,755 | 7,474 | 36,229 | 36,229 | 1,158 | – [3] |
| Other guarantees | 3,756 | 1,485 | 5,241 | 5,238 | 37 | 3,446 |
| **Total guarantees** | **39,092** | **12,626** | **51,718** | **50,613** | **1,295** | **8,107** |
| **4Q15 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,916 | 1,486 | 4,402 | 4,193 | 25 | 1,729 |
| Performance guarantees and similar instruments | 4,295 | 2,704 | 6,999 | 6,100 | 78 | 3,144 |
| Derivatives [2] | 23,529 | 14,660 | 38,189 | 38,189 | 755 | – [3] |
| Other guarantees | 3,958 | 1,521 | 5,479 | 5,474 | 52 | 3,533 |
| **Total guarantees** | **34,698** | **20,371** | **55,069** | **53,956** | **910** | **8,406** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2015 to June 30, 2016 is CHF 0.6 billion. These deposit insurance guarantees were reflected in other guarantees. For the period July 1, 2016 to June 30, 2017, the Group's share in this deposit insurance guarantee program based on FINMA's estimate will be unchanged at CHF 0.6 billion.

### Representations and warranties on residential mortgage loans sold

In connection with the former Investment Banking division's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises, Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims made within the statute of limitations (including the likelihood and ability to enforce claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

During the first six months of 2016, the Group received repurchase claims for residential mortgage loans that were not significant, and loans repurchased during this period and related losses were not significant. The balance of outstanding repurchase claims as of the end of 2Q16 was not significant.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so during the reporting period, are not included in this Guarantees and commitments disclosure but are addressed in litigation and related loss contingencies and provisions. The Group is involved in litigation relating to representations and warranties on residential mortgages sold.

▸ Refer to "Note 31 – Litigation" for further information.

### Disposal-related contingencies and other indemnifications

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees include disposal-related contingencies in connection with the sale of assets or businesses, and other indemnifications. These guarantees are not reflected in the "Guarantees" table.

▸ Refer to "Disposal-related contingencies and other indemnifications" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a description of these guarantees.

### Other commitments

Other commitments of the Group are classified as follows: irrevocable commitments under documentary credits, irrevocable loan commitments, forward reverse repurchase agreements and other commitments.

▸ Refer to "Other commitments" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a description of these commitments.

### Other commitments

| end of | 2Q16 | | | | | 4Q15 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received |
| **Other commitments (CHF million)** | | | | | | | | | | |
| Irrevocable commitments under documentary credits | 4,171 | 8 | 4,179 | 4,117 | 2,849 | 4,022 | 7 | 4,029 | 3,935 | 2,468 |
| Irrevocable loan commitments [2] | 27,894 | 84,611 | 112,505 | 108,855 | 50,428 | 33,890 | 103,763 | 137,653 | 133,833 | 63,276 |
| Forward reverse repurchase agreements | 837 | 0 | 837 | 837 | 837 | 48 | 0 | 48 | 48 | 48 |
| Other commitments | 1,060 | 143 | 1,203 | 1,203 | 8 | 450 | 322 | 772 | 771 | 6 |
| **Total other commitments** | **33,962** | **84,762** | **118,724** | **115,012** | **54,122** | **38,410** | **104,092** | **142,502** | **138,587** | **65,798** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Irrevocable loan commitments do not include a total gross amount of CHF 98,321 million and CHF 98,495 million of unused credit limits as of the end of 2Q16 and 4Q15, respectively, which were revocable at the Group's sole discretion upon notice to the client.

## 28 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, special purpose entities (SPEs). An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and Group tax or regulatory purposes.

### TRANSFERS OF FINANCIAL ASSETS

#### Securitizations

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, commercial paper (CP) and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue CMBS, RMBS and asset-backed securities (ABS) that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include managed CLOs, CLOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CLOs are collateralized by loans transferred to the CLO vehicle and pay a return based on the returns on the loans. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed

financing structures investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and loans involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 6M16 and 6M15 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

### Securitizations

| in | 6M16 | 6M15 |
|---|---|---|
| **Gains and cash flows (CHF million)** | | |
| **CMBS** | | |
| Net gain/(loss) [1] | 2 | (2) |
| Proceeds from transfer of assets | 3,148 | 5,252 |
| Cash received on interests that continue to be held | 35 | 74 |
| **RMBS** | | |
| Net gain/(loss) [1] | (1) | 4 |
| Proceeds from transfer of assets | 4,898 | 8,416 |
| Servicing fees | 2 | 1 |
| Cash received on interests that continue to be held | 262 | 204 |
| **Other asset-backed financings** | | |
| Net gain [1] | 17 | 11 |
| Proceeds from transfer of assets | 1,305 [2] | 636 |
| Fees [3] | 61 | – |
| Cash received on interests that continue to be held | 1 | 3 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

[2] Excludes a net impact of CHF 3,109 million from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.

[3] Represents management fees and performance fees earned for investment management services provided to managed CLOs.

#### Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets.

▸ Refer to "Transfer of financial assets" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for a detailed description of continuing involvement in transferred financial assets.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 2Q16 and 4Q15, regardless of when the transfer of assets occurred.

### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 35,114 | 40,625 |
| Total assets of SPE | 47,665 | 56,118 |
| **RMBS** | | |
| Principal amount outstanding | 43,897 | 54,164 |
| Total assets of SPE | 43,987 | 55,833 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 20,070 [1] | 21,653 |
| Total assets of SPE | 34,466 [1] | 22,787 |

Principal amount outstanding relates to assets transferred from the Group and does not include principal amounts for assets transferred from third parties.

[1] Includes a net impact of CHF 3,208 million in principal amount outstanding and of CHF 16,625 million in total assets of the SPE from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.

#### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Group may utilize to hedge the inherent risks.

### Key economic assumptions at the time of transfer

▸ Refer to "Note 29 – Financial instruments" for information on fair value hierarchy levels.

**Key economic assumptions used in measuring fair value of beneficial interests at time of transfer**

| at time of transfer, in | 6M16 | | 6M15 | |
|---|---|---|---|---|
| | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 42 | 1,300 | 997 | 1,018 |
| of which level 2 | 42 | 1,228 | 975 | 826 |
| of which level 3 | 0 | 71 | 22 | 192 |
| Weighted-average life, in years | 10.7 | 6.7 | 8.9 | 8.6 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 8.1–24.4 | – [2] | 4.5–27.7 |
| Cash flow discount rate (rate per annum), in % [3] | 2.4–4.9 | 1.4–18.6 | 2.0–5.7 | 1.7–13.6 |
| Expected credit losses (rate per annum), in % | 0.0–0.0 | 0.0–0.0 | 0.7–3.4 | 0.5–12.5 |

Transfers of assets in which the Group does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

### Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 2Q16 and 4Q15.

**Key economic assumptions used in measuring fair value of beneficial interests held in SPEs**

| end of | 2Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 568 | 2,067 | 276 | 1,007 | 2,274 | 56 |
| of which non-investment grade | 86 | 584 | 50 | 73 | 581 | 55 |
| Weighted-average life, in years | 6.2 | 6.9 | 5.6 | 6.7 | 9.7 | 2.5 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.1–31.1 | – | – | 1.0–37.1 | – |
| Impact on fair value from 10% adverse change | – | (28.7) | – | – | (30.5) | – |
| Impact on fair value from 20% adverse change | – | (55.7) | – | – | (57.6) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.6–16.1 | 0.6–39.1 | 1.3–21.8 | 2.1–13.3 | 1.5–35.5 | 5.7–21.2 |
| Impact on fair value from 10% adverse change | (7.7) | (39.0) | (5.2) | (18.1) | (63.1) | (0.7) |
| Impact on fair value from 20% adverse change | (14.9) | (75.9) | (10.3) | (35.6) | (122.5) | (1.5) |
| Expected credit losses (rate per annum), in % | 1.1–15.3 | 0.2–37.7 | 0.2–20.0 | 0.9–12.7 | 1.3–34.3 | 0.2–14.2 |
| Impact on fair value from 10% adverse change | (4.8) | (27.8) | (4.1) | (8.0) | (32.3) | (0.7) |
| Impact on fair value from 20% adverse change | (9.5) | (54.3) | (8.1) | (15.9) | (63.2) | (1.5) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[2] CDOs and CLOs within this category are generally structured to be protected from prepayment risk.

[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[4] The rate was based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

### Transfers of financial assets where sale treatment was not achieved

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 2Q16 and 4Q15.

▸ Refer to "Note 30 – Assets pledged and collateral" for further information.

**Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved**

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **CHF million** | | |
| **RMBS** | | |
| Other assets | 0 | 266 |
| Liability to SPE, included in Other liabilities | 0 | (266) |
| **Other asset-backed financings** | | |
| Trading assets | 214 | 155 |
| Other assets | 139 | 122 |
| Liability to SPE, included in Other liabilities | (353) | (277) |

### Transfers of financial assets accounted for as a sale

US GAAP requires the disclosure of a transaction accounted for as a sale that comprises both of the following: a transfer of financial assets to a transferee and an agreement entered into in contemplation of the initial transfer with the transferee that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. In the ordinary course of business, the Group transfers a financial asset accounted for as a sale and, in some instances, enters into an agreement in contemplation of that initial transfer with the same counterparty to retain substantially all of the economics of that transferred financial asset. As of the end of 2Q16 and 4Q15, the Group had agreements in the form of TRS on equity securities and longevity swaps on life insurance policies.

The following table presents information about the transfers of financial assets accounted for as sales with agreements that result in the Group retaining substantially all of the exposure to the economic return on the transferred assets at the date of sale and remain outstanding as of the end of 2Q16 and 4Q15, respectively, gross cash proceeds received for assets derecognized at the date of sale and the fair values of transferred assets and the aforementioned agreements as of the end of 2Q16 and 4Q15.

**Transfer of financial assets accounted for as sales – by transaction type**

| | at date of derecognition | | end of | | |
|---|---|---|---|---|---|
| | Carrying amount derecognized | Gross cash proceeds received for assets derecognized | Fair value of transferred assets | Gross derivative assets recorded [1] | Gross derivative liabilities recorded [1] |
| **2Q16 (CHF million)** | | | | | |
| Sales with longevity swaps | 308 | 378 | 404 | 583 | – |
| **Total transactions outstanding** | **308** | **378** | **404** | **583** [2] | **0** |
| **4Q15 (CHF million)** | | | | | |
| Sales with total return swaps | 395 | 397 | 398 | 7 | 7 |
| Sales with longevity swaps | 308 | 378 | 375 | 546 | – |
| **Total transactions outstanding** | **703** | **775** | **773** | **553** [3] | **7** [3] |

[1] Balances presented on a gross basis, before application of counterparty and cash collateral netting.
[2] As of the end of 2Q16, gross derivative assets of CHF 583 million were included in other products, as disclosed in Note 26 – Derivatives and hedging activities.
[3] As of the end of 4Q15, gross derivative assets of CHF 7 million and CHF 546 million were included in equity/index-related products and other products, respectively, and gross derivative liabilites of CHF 7 million were included in equity/index-related products, as disclosed in Note 26 – Derivatives and hedging activities.

### Securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings

For securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings, US GAAP requires the disclosure of the collateral pledged and the associated risks to which a transferor continues to be exposed after the transfer. This provides an understanding of the nature and risks of short-term collateralized financing obtained through these types of transactions.

Securities sold under repurchase agreements and securities lending transactions represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activities. These transactions are collateralized principally by government debt securities, corporate debt securities, asset-backed securities, equity securities and other collateral and have terms ranging from on demand to a longer period of time.

In the event of the Group's default or a decline in fair value of collateral pledged, the repurchase agreement or security lending transaction provides the counterparty with the right to liquidate the collateral held or request additional collateral.

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of the end of 2Q16 and 4Q15.

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by class of collateral pledged

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **CHF billion** | | |
| Government debt securities | 20.1 | 21.1 |
| Corporate debt securities | 12.6 | 15.2 |
| Asset-backed securities | 11.3 | 21.6 |
| Equity securities | 0.1 | 0.1 |
| Other | 0.1 | 0.1 |
| **Securities sold under repurchase agreements** | **44.2** | **58.1** |
| Government debt securities | 3.3 | 3.1 |
| Corporate debt securities | 0.5 | 0.4 |
| Equity securities | 6.4 | 8.2 |
| Other | 0.4 | 0.3 |
| **Securities lending transactions** | **10.6** | **12.0** |
| Government debt securities | 0.6 | 0.5 |
| Corporate debt securities | 0.4 | 0.1 |
| Equity securities | 25.0 | 27.9 |
| **Obligation to return securities received as collateral, at fair value** | **26.0** | **28.5** |
| **Total** | **80.8** | **98.6** |

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by remaining contractual maturity

| | | Remaining contractual maturities | | | |
|---|---|---|---|---|---|
| end of | On demand [1] | Up to 30 days [2] | 31 – 90 days | More than 90 days | Total |
| **2Q16 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 5.2 | 22.1 | 8.0 | 8.9 | 44.2 |
| Securities lending transactions | 4.8 | 4.9 | 0.2 | 0.7 | 10.6 |
| Obligation to return securities received as collateral, at fair value | 23.7 | 2.3 | 0.0 | 0.0 | 26.0 |
| **Total** | **33.7** | **29.3** | **8.2** | **9.6** | **80.8** |
| **4Q15 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 7.7 | 29.9 | 8.1 | 12.4 | 58.1 |
| Securities lending transactions | 6.0 | 3.6 | 1.8 | 0.6 | 12.0 |
| Obligation to return securities received as collateral, at fair value | 26.2 | 2.3 | 0.0 | 0.0 | 28.5 |
| **Total** | **39.9** | **35.8** | **9.9** | **13.0** | **98.6** |

[1] Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.
[2] Includes overnight transactions.

▸ Refer to "Note 22 – Offsetting of financial assets and financial liabilities" for further information on the gross amount of securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral and the net amounts disclosed in the consolidated balance sheets.

## VARIABLE INTEREST ENTITIES

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: CDO/CLOs, CP conduits and financial intermediation.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for a detailed description of VIEs, CDOs, CP conduit or financial intermediation.

### Collateralized debt obligations

The Group engages in CDO/CLO transactions to meet client and investor needs, earn fees and sell financial assets. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction.

### Commercial paper conduit

In 4Q15, the Group decided to stop issuing CP from an existing asset-backed CP conduit, Alpine Securitization Corp. (old Alpine), and all outstanding CP was fully repaid as of the end of 4Q15. As of the end of 2Q16, old Alpine did not have any third-party assets.

In 2Q16, the Group established Alpine Securitization Ltd (Alpine), a multi-seller asset-backed CP conduit used for client and Group financing purposes. The Group acts as the administrator and provider of liquidity and credit enhancement facilities for Alpine. Alpine discloses to CP investors certain portfolio and asset data and submits its portfolio to rating agencies for public ratings. This CP conduit purchases assets such as loans and receivables or enters into reverse repurchase agreements and finances such activities through the issuance of CP backed by these assets. The CP conduit can enter into liquidity facilities with third-party entities pursuant to which it may purchase assets from these entities to provide them with liquidity and credit support. The financing transactions are structured to provide credit support to the CP conduit in the form of over-collateralization and other asset-specific enhancements. Alpine is a separate legal entity that is wholly owned by the Group. However, its assets are available to satisfy only the claims of its creditors. In addition, the Group, as administrator and liquidity facility provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Group is deemed the primary beneficiary and consolidates this entity.

As of the end of 2Q16, Alpine did not have any CP outstanding, was rated A-1(sf) by Standard & Poor's and P-1(sf) by Moody's and had exposures in servicer advance receivables and credit card receivables.

The Group's commitment to this CP conduit consists of obligations under liquidity agreements. The liquidity agreements are asset-specific arrangements, which require the Group to purchase assets from the CP conduit in certain circumstances, including a lack of liquidity in the CP market such that the CP conduit cannot refinance its obligations or, in some cases, a default of an underlying asset. The asset-specific credit enhancements provided by the client seller of the assets remain unchanged as a result of such a purchase. In entering into such agreements, the Group reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit.

The Group's economic risks associated with the CP conduit are included in the Group's risk management framework including counterparty, economic risk capital and scenario analysis.

### Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

Financial intermediation consists of securitizations, funds, loans and other vehicles.

### Consolidated VIEs

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Group consolidates all VIEs related to financial intermediation for which it was the primary beneficiary.

The consolidated VIEs tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of the end of 2Q16 and 4Q15.

## Consolidated VIEs in which the Group was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO/ CLO | CP Conduit | Securi- tizations | Funds | Loans | Other | **Total** |
| **2Q16 (CHF million)** | | | | | | | |
| Cash and due from banks | 54 | 99 | 88 | 151 | 85 | 12 | 489 |
| Trading assets | 0 | 0 | 88 | 928 | 1,080 | 1,379 | 3,475 |
| Investment securities | 0 | 0 | 544 | 0 | 0 | 0 | 544 |
| Other investments | 0 | 0 | 0 | 118 | 1,534 | 303 | 1,955 |
| Net loans | 0 | 0 | 0 | 0 | 29 | 331 | 360 |
| Premises and equipment | 0 | 0 | 0 | 0 | 282 | 0 | 282 |
| Other assets | 0 | 0 | 1,230 | 37 | 87 | 1,149 | 2,503 |
| of which loans held-for-sale | 0 | 0 | 240 | 0 | 10 | 1 | 251 |
| **Total assets of consolidated VIEs** | **54** | **99** | **1,950** | **1,234** | **3,097** | **3,174** | **9,608** |
| Trading liabilities | 0 | 0 | 0 | 119 | 18 | 0 | 137 |
| Short-term borrowings | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Long-term debt | 68 | 0 | 1,490 | 81 | 138 | 3 | 1,780 |
| Other liabilities | 0 | 0 | 1 | 20 | 140 | 80 | 241 |
| **Total liabilities of consolidated VIEs** | **68** | **0** | **1,491** | **221** | **296** | **83** | **2,159** |
| **4Q15 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,351 | 0 | 21 | 9 | 93 | 219 | 1,693 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 53 | 0 | 0 | 0 | 0 | 53 |
| Trading assets | 283 | 49 | 0 | 941 | 1,001 | 98 | 2,372 |
| Investment securities | 0 | 0 | 1,009 | 0 | 0 | 0 | 1,009 |
| Other investments | 0 | 0 | 0 | 0 | 1,553 | 433 | 1,986 |
| Net loans | 0 | 0 | 0 | 0 | 27 | 1,285 | 1,312 |
| Premises and equipment | 0 | 0 | 0 | 0 | 327 | 0 | 327 |
| Other assets | 10,839 | 123 | 1,671 | 0 | 83 | 1,735 | 14,451 |
| of which loans held-for-sale | 10,790 | 0 | 469 | 0 | 16 | 0 | 11,275 |
| **Total assets of consolidated VIEs** | **12,473** | **225** | **2,701** | **950** | **3,084** | **3,770** | **23,203** |
| Trading liabilities | 8 | 0 | 0 | 0 | 18 | 1 | 27 |
| Short-term borrowings | 0 | 0 | 81 | 0 | 0 | 0 | 81 |
| Long-term debt | 12,428 | 0 | 2,128 | 125 | 136 | 9 | 14,826 |
| Other liabilities | 51 | 3 | 3 | 1 | 135 | 643 | 836 |
| **Total liabilities of consolidated VIEs** | **12,487** | **3** | **2,212** | **126** | **289** | **653** | **15,770** |

### Non-consolidated VIEs

The non-consolidated VIEs tables provide the carrying amounts and classification of the assets and liabilities of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for further information on non-consolidated VIEs.

### Non-consolidated VIEs

| | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|
| end of | CDO/ CLO | Securi-tizations | Funds | Loans | Other | **Total** |
| **2Q16 (CHF million)** | | | | | | |
| Trading assets | 175 | 4,077 | 982 | 235 | 63 | 5,532 |
| Net loans | 4 | 505 | 2,834 | 4,078 | 1,257 | 8,678 |
| Other assets | 3 | 15 | 13 | 178 | 311 | 520 |
| **Total variable interest assets** | **182** | **4,597** | **3,829** | **4,491** | **1,631** | **14,730** |
| **Maximum exposure to loss** | **183** | **9,364** | **3,829** | **9,191** | **2,807** | **25,374** |
| **Non-consolidated VIE assets** | **4,511** | **80,982** | **62,007** | **32,314** | **39,089** | **218,903** |
| **4Q15 (CHF million)** | | | | | | |
| Trading assets | 90 | 6,021 | 871 | 425 | 8 | 7,415 |
| Net loans | 36 | 1,508 | 2,734 | 5,053 | 1,723 | 11,054 |
| Other assets | 0 | 11 | 13 | 0 | 161 | 185 |
| **Total variable interest assets** | **126** | **7,540** | **3,618** | **5,478** | **1,892** | **18,654** |
| **Maximum exposure to loss** | **126** | **12,986** | **3,618** | **11,866** | **2,570** | **31,166** |
| **Non-consolidated VIE assets** | **6,590** | **113,530** | **54,112** | **41,824** | **36,865** | **252,921** |

## 29 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:

- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes);
- Fair value option; and
- Disclosures about fair value of financial instruments not carried at fair value.

### CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's concentrations of credit risk.

### FAIR VALUE MEASUREMENT

A significant portion of the Group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on fair value measurement of financial instruments and the definition of the levels of the fair value hierarchy.

## Assets and liabilities measured at fair value on a recurring basis

| end of 2Q16 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Assets measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 0 | 318 | 0 | – | – | 318 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 79,627 | 300 | – | – | 79,927 |
| Debt | 465 | 564 | 0 | – | – | 1,029 |
| of which corporates | 0 | 451 | 0 | – | – | 451 |
| Equity | 24,915 | 49 | 0 | – | – | 24,964 |
| Securities received as collateral | 25,380 | 613 | 0 | – | – | 25,993 |
| Debt | 28,274 | 33,928 | 4,456 | – | – | 66,658 |
| of which foreign governments | 28,159 | 5,213 | 308 | – | – | 33,680 |
| of which corporates | 34 | 11,697 | 2,289 | – | – | 14,020 |
| of which RMBS | 0 | 14,249 | 373 | – | – | 14,622 |
| of which CMBS | 0 | 1,950 | 57 | – | – | 2,007 |
| of which CDO | 0 | 794 | 1,429 | – | – | 2,223 |
| Equity | 63,641 | 4,066 | 337 | – | 1,770 | 69,814 |
| Derivatives | 6,913 | 310,799 | 5,051 | (293,275) | – | 29,488 |
| of which interest rate products | 2,873 | 216,354 | 782 | – | – | – |
| of which foreign exchange products | 93 | 60,881 | 217 | – | – | – |
| of which equity/index-related products | 3,944 | 20,243 | 1,181 | – | – | – |
| of which credit derivatives | 0 | 12,055 | 1,580 | – | – | – |
| Other | 2,949 | 3,863 | 4,847 | – | – | 11,659 |
| Trading assets | 101,777 | 352,656 | 14,691 | (293,275) | 1,770 | 177,619 |
| Debt | 1,523 | 846 | 155 | – | – | 2,524 |
| of which foreign governments | 1,325 | 94 | 0 | – | – | 1,419 |
| of which corporates | 0 | 283 | 0 | – | – | 283 |
| of which RMBS | 0 | 360 | 155 | – | – | 515 |
| of which CMBS | 0 | 29 | 0 | – | – | 29 |
| Equity | 2 | 85 | 0 | – | – | 87 |
| Investment securities | 1,525 | 931 | 155 | – | – | 2,611 |
| Private equity | 0 | 0 | 7 | – | 590 | 597 |
| of which equity funds | 0 | 0 | 0 | – | 237 | 237 |
| Hedge funds | 0 | 0 | 0 | – | 274 | 274 |
| of which debt funds | 0 | 0 | 0 | – | 238 | 238 |
| Other equity investments | 14 | 64 | 410 | – | 540 | 1,028 |
| of which private | 14 | 62 | 409 | – | 539 | 1,024 |
| Life finance instruments | 0 | 1 | 1,687 | – | – | 1,688 |
| Other investments | 14 | 65 | 2,104 | – | 1,404 | 3,587 |
| Loans | 0 | 11,840 | 8,991 | – | – | 20,831 |
| of which commercial and industrial loans | 0 | 6,086 | 5,837 | – | – | 11,923 |
| of which financial institutions | 0 | 3,736 | 1,623 | – | – | 5,359 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 111 | – | – | 111 |
| Other assets | 372 | 11,660 | 2,838 | (1,431) | – | 13,439 |
| of which loans held-for-sale | 0 | 6,823 | 2,399 | – | – | 9,222 |
| **Total assets at fair value** | **129,068** | **457,710** | **29,190** | **(294,706)** | **3,174** | **324,436** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | 0 | (112) | – | (184) | (296) |
| Less assets consolidated under ASU 2009-17 [3] | (1) | (1,028) | (270) | – | – | (1,299) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **129,067** | **456,682** | **28,808** | **(294,706)** | **2,990** | **322,841** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

[3] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2Q16 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Liabilities measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | | |
| Due to banks | 0 | 514 | 0 | – | – | 514 |
| Customer deposits | 0 | 3,581 | 327 | – | – | 3,908 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 18,114 | 0 | – | – | 18,114 |
| Debt | 465 | 564 | 0 | – | – | 1,029 |
| of which corporates | 0 | 451 | 0 | – | – | 451 |
| Equity | 24,915 | 49 | 0 | – | – | 24,964 |
| Obligation to return securities received as collateral | 25,380 | 613 | 0 | – | – | 25,993 |
| Debt | 3,553 | 4,430 | 12 | – | – | 7,995 |
| of which foreign governments | 3,488 | 639 | 0 | – | – | 4,127 |
| of which corporates | 32 | 3,570 | 12 | – | – | 3,614 |
| Equity | 16,438 | 189 | 5 | – | 5 | 16,637 |
| Derivatives | 7,693 | 318,813 | 4,716 | (304,172) | – | 27,050 |
| of which interest rate products | 2,829 | 209,056 | 543 | – | – | – |
| of which foreign exchange products | 75 | 71,636 | 436 | – | – | – |
| of which equity/index-related products | 4,787 | 24,650 | 1,236 | – | – | – |
| of which credit derivatives | 0 | 12,130 | 1,904 | – | – | – |
| Trading liabilities | 27,684 | 323,432 | 4,733 | (304,172) | 5 | 51,682 |
| Short-term borrowings | 0 | 2,888 | 108 | – | – | 2,996 |
| Long-term debt | 0 | 61,388 | 12,534 | – | – | 73,922 |
| of which treasury debt over two years | 0 | 3,648 | 0 | – | – | 3,648 |
| of which structured notes over one year and up to two years | 0 | 6,234 | 640 | – | – | 6,874 |
| of which structured notes over two years | 0 | 42,183 | 11,289 | – | – | 53,472 |
| of which other debt instruments over two years | 0 | 2,273 | 597 | – | – | 2,870 |
| of which other subordinated bonds | 0 | 5,071 | 0 | – | – | 5,071 |
| of which non-recourse liabilities | 0 | 1,773 | 8 | – | – | 1,781 |
| Other liabilities | 0 | 9,428 | 1,839 | (1,163) | – | 10,104 |
| of which failed sales | 0 | 564 | 505 | – | – | 1,069 |
| **Total liabilities at fair value** | **53,064** | **419,958** | **19,541** | **(305,335)** | **5** | **187,233** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q15 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Assets measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 0 | 89 | 0 | – | – | 89 |
| Interest-bearing deposits with banks | 0 | 2 | 0 | – | – | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 83,407 | 158 | – | – | 83,565 |
| Debt | 811 | 493 | 0 | – | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | – | 261 |
| Equity | 27,141 | 66 | 0 | – | – | 27,207 |
| Securities received as collateral | 27,952 | 559 | 0 | – | – | 28,511 |
| Debt | 27,932 | 48,047 | 4,563 | – | – | 80,542 |
| of which foreign governments | 27,710 | 3,737 | 285 | – | – | 31,732 |
| of which corporates | 13 | 15,762 | 1,745 | – | – | 17,520 |
| of which RMBS | 0 | 22,302 | 814 | – | – | 23,116 |
| of which CMBS | 0 | 3,924 | 215 | – | – | 4,139 |
| of which CDO | 0 | 2,317 | 1,298 | – | – | 3,615 |
| Equity | 64,210 | 4,195 | 871 | – | 1,685 | 70,961 |
| Derivatives | 2,625 | 265,014 | 4,831 | (244,105) | – | 28,365 |
| of which interest rate products | 657 | 167,173 | 791 | – | – | – |
| of which foreign exchange products | 104 | 59,740 | 383 | – | – | – |
| of which equity/index-related products | 1,857 | 19,803 | 936 | – | – | – |
| of which credit derivatives | 0 | 16,267 | 1,568 | – | – | – |
| Other | 2,034 | 4,569 | 4,266 | – | – | 10,869 |
| Trading assets | 96,801 | 321,825 | 14,531 | (244,105) | 1,685 | 190,737 |
| Debt | 1,538 | 1,318 | 148 | – | – | 3,004 |
| of which foreign governments | 1,322 | 94 | 0 | – | – | 1,416 |
| of which corporates | 0 | 285 | 0 | – | – | 285 |
| of which RMBS | 0 | 602 | 148 | – | – | 750 |
| of which CMBS | 0 | 259 | 0 | – | – | 259 |
| Equity | 2 | 84 | 0 | – | – | 86 |
| Investment securities | 1,540 | 1,402 | 148 | – | – | 3,090 |
| Private equity | 0 | 0 | 0 | – | 1,042 | 1,042 |
| of which equity funds | 0 | 0 | 0 | – | 437 | 437 |
| Hedge funds | 0 | 0 | 0 | – | 295 | 295 |
| of which debt funds | 0 | 0 | 0 | – | 260 | 260 |
| Other equity investments | 0 | 23 | 366 | – | 840 | 1,229 |
| of which private | 0 | 14 | 365 | – | 840 | 1,219 |
| Life finance instruments | 0 | 2 | 1,669 | – | – | 1,671 |
| Other investments | 0 | 25 | 2,035 | – | 2,177 | 4,237 |
| Loans | 0 | 11,870 | 8,950 | – | – | 20,820 |
| of which commercial and industrial loans | 0 | 5,811 | 5,735 | – | – | 11,546 |
| of which financial institutions | 0 | 4,102 | 1,729 | – | – | 5,831 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 112 | – | – | 112 |
| Other assets | 687 | 19,002 | 7,087 | (1,149) | – | 25,627 |
| of which loans held-for-sale | 0 | 14,378 | 6,768 | – | – | 21,146 |
| **Total assets at fair value** | **126,980** | **438,181** | **33,021** | **(245,254)** | **3,862** | **356,790** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | (9) | (119) | – | (473) | (601) |
| Less assets consolidated under ASU 2009-17 [3] | 0 | (9,212) | (3,558) | – | – | (12,770) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **126,980** | **428,960** | **29,344** | **(245,254)** | **3,389** | **343,419** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

[3] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q15 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Liabilities measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | | |
| Due to banks | 0 | 482 | 0 | – | – | 482 |
| Customer deposits | 0 | 3,409 | 254 | – | – | 3,663 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 32,398 | 0 | – | – | 32,398 |
| Debt | 811 | 493 | 0 | – | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | – | 261 |
| Equity | 27,141 | 66 | 0 | – | – | 27,207 |
| Obligation to return securities received as collateral | 27,952 | 559 | 0 | – | – | 28,511 |
| Debt | 4,100 | 4,289 | 16 | – | – | 8,405 |
| of which foreign governments | 4,050 | 491 | 0 | – | – | 4,541 |
| of which corporates | 30 | 3,597 | 16 | – | – | 3,643 |
| Equity | 16,875 | 154 | 45 | – | 6 | 17,080 |
| Derivatives | 3,062 | 269,788 | 4,554 | (253,918) | – | 23,486 |
| of which interest rate products | 671 | 160,181 | 578 | – | – | – |
| of which foreign exchange products | 82 | 70,381 | 329 | – | – | – |
| of which equity/index-related products | 2,299 | 22,015 | 1,347 | – | – | – |
| of which credit derivatives | 0 | 15,522 | 1,757 | – | – | – |
| Trading liabilities | 24,037 | 274,231 | 4,615 | (253,918) | 6 | 48,971 |
| Short-term borrowings | 0 | 3,040 | 72 | – | – | 3,112 |
| Long-term debt | 0 | 66,808 | 14,123 | – | – | 80,931 |
| of which treasury debt over two years | 0 | 4,590 | 0 | – | – | 4,590 |
| of which structured notes over one year and up to two years | 0 | 6,396 | 364 | – | – | 6,760 |
| of which structured notes over two years | 0 | 38,066 | 9,924 | – | – | 47,990 |
| of which other debt instruments over two years | 0 | 1,435 | 638 | – | – | 2,073 |
| of which other subordinated bonds | 0 | 5,476 | 0 | – | – | 5,476 |
| of which non-recourse liabilities | 0 | 10,642 | 3,197 | – | – | 13,839 |
| Other liabilities | 0 | 10,224 | 2,491 | (961) | – | 11,754 |
| of which failed sales | 0 | 530 | 454 | – | – | 984 |
| **Total liabilities at fair value** | **51,989** | **391,151** | **21,555** | **(254,879)** | **6** | **209,822** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

### Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 6M16, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers from trading assets and trading liabilities were primarily in exchange traded derivatives as prices became observable.

In 6M16, transfers out of level 1 to level 2 were primarily from trading assets. The transfers were primarily in debt for which suitable closing prices were unobtainable as of the end of 6M16.

### Transfers between level 1 and level 2

| in | 6M16 | | 6M15 | |
|---|---|---|---|---|
| | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 5 | 1,667 | 54 | 46 |
| Equity | 285 | 835 | 380 | 491 |
| Derivatives | 2,403 | 0 | 3,290 | 23 |
| **Trading assets** | **2,693** | **2,502** | **3,724** | **560** |
| **Liabilities (CHF million)** | | | | |
| Debt | 2 | 33 | 88 | 21 |
| Equity | 16 | 48 | 53 | 82 |
| Derivatives | 3,007 | 8 | 3,310 | 80 |
| **Trading liabilities** | **3,025** | **89** | **3,451** | **183** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 6M16 | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | 0 | 0 | 0 | 0 | 186 |
| Securities received as collateral | 0 | 0 | 0 | 18 | (18) | 0 |
| Debt | 4,563 | 543 | (625) | 2,617 | (2,573) | 0 |
| of which corporates | 1,745 | 291 | (178) | 1,744 | (1,349) | 0 |
| of which RMBS | 814 | 142 | (381) | 365 | (468) | 0 |
| of which CMBS | 215 | 10 | (9) | 42 | (167) | 0 |
| of which CDO | 1,298 | 48 | (8) | 433 | (320) | 0 |
| Equity | 871 | 86 | (100) | 383 | (828) | 0 |
| Derivatives | 4,831 | 856 | (529) | 0 | 0 | 1,064 |
| of which interest rate products | 791 | 14 | (34) | 0 | 0 | 73 |
| of which equity/index-related products | 936 | 224 | (104) | 0 | 0 | 279 |
| of which credit derivatives | 1,568 | 618 | (380) | 0 | 0 | 514 |
| Other | 4,266 | 668 | (516) | 1,931 | (1,448) | 0 |
| Trading assets | 14,531 | 2,153 | (1,770) | 4,931 | (4,849) | 1,064 |
| Investment securities | 148 | 0 | (36) | 81 | (13) | 0 |
| Equity | 366 | 7 | (1) | 52 | (62) | 0 |
| Life finance instruments | 1,669 | 0 | 0 | 96 | (188) | 0 |
| Other investments | 2,035 | 7 | (1) | 148 | (250) | 0 |
| Loans | 8,950 | 401 | (367) | 23 | (383) | 1,966 |
| of which commercial and industrial loans | 5,735 | 220 | (120) | 0 | (219) | 1,299 |
| of which financial institutions | 1,729 | 65 | (34) | 1 | (141) | 372 |
| Other intangible assets (mortgage servicing rights) | 112 | 0 | 0 | 6 | 0 | 0 |
| Other assets | 7,087 | 313 | (973) | 1,252 | (4,853) | 732 |
| of which loans held-for-sale [2] | 6,768 | 204 | (908) | 1,077 | (4,815) | 732 |
| **Total assets at fair value** | **33,021** | **2,874** | **(3,147)** | **6,459** | **(10,366)** | **3,948** |
| **Liabilities (CHF million)** | | | | | | |
| Customer deposits | 254 | 0 | (39) | 0 | 0 | 126 |
| Obligation to return securities received as collateral | 0 | 0 | 0 | 18 | (18) | 0 |
| Trading liabilities | 4,615 | 775 | (501) | 27 | (28) | 838 |
| of which interest rate derivatives | 578 | 15 | (24) | 0 | 0 | 82 |
| of which foreign exchange derivatives | 329 | 4 | (1) | 0 | 0 | 8 |
| of which equity/index-related derivatives | 1,347 | 132 | (183) | 0 | 0 | 248 |
| of which credit derivatives | 1,757 | 620 | (286) | 0 | 0 | 364 |
| Short-term borrowings | 72 | 20 | (8) | 0 | 0 | 117 |
| Long-term debt | 14,123 | 1,285 | (962) | 0 | 0 | 2,539 |
| of which structured notes over two years | 9,924 | 956 | (947) | 0 | 0 | 2,353 |
| of which non-recourse liabilities | 3,197 | 0 | 0 | 0 | 0 | 25 |
| Other liabilities | 2,491 | 140 | (116) | 114 | (43) | 2 |
| of which failed sales | 454 | 27 | (76) | 105 | (3) | 0 |
| **Total liabilities at fair value** | **21,555** | **2,220** | **(1,626)** | **159** | **(89)** | **3,622** |
| **Net assets/(liabilities) at fair value** | **11,466** | **654** | **(1,521)** | **6,300** | **(10,277)** | **326** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

[2] Includes unrealized losses recorded in trading revenues of CHF (71) million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| | | Trading revenues | | Other revenues | | Accumulated other comprehensive income | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | (40) | 0 | 0 | 0 | 0 | 0 | 0 | (4) | 300 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | (11) | (62) | 0 | 2 | 0 | 0 | 2 | 4,456 |
| | 0 | 0 | 36 | 0 | 0 | 0 | 0 | 0 | 2,289 |
| | 0 | (7) | (82) | 0 | 0 | 0 | 0 | (10) | 373 |
| | 0 | 0 | (32) | 0 | 0 | 0 | 0 | (2) | 57 |
| | 0 | 0 | (1) | 0 | 1 | 0 | 0 | (22) | 1,429 |
| | 0 | (39) | (27) | 0 | 0 | 0 | 0 | (9) | 337 |
| | (1,688) | 25 | 525 | 0 | 0 | 0 | 0 | (33) | 5,051 |
| | (101) | 7 | 39 | 0 | 0 | 0 | 0 | (7) | 782 |
| | (286) | 12 | 112 | 0 | 0 | 0 | 0 | 8 | 1,181 |
| | (1,014) | 8 | 287 | 0 | 0 | 0 | 0 | (21) | 1,580 |
| | (189) | (13) | 216 | 0 | 0 | 0 | 0 | (68) | 4,847 |
| | (1,877) | (38) | 652 | 0 | 2 | 0 | 0 | (108) | 14,691 |
| | (85) | (10) | 72 | 0 | 0 | 0 | 0 | (2) | 155 |
| | 0 | 0 | 23 | 0 | 19 | 0 | 0 | 13 | 417 |
| | 0 | 0 | 136 | 0 | 0 | 0 | 0 | (26) | 1,687 |
| | 0 | 0 | 159 | 0 | 19 | 0 | 0 | (13) | 2,104 |
| | (1,443) | (54) | 1 | 0 | 0 | 0 | 0 | (103) | 8,991 |
| | (1,020) | (18) | 14 | 0 | 0 | 0 | 0 | (54) | 5,837 |
| | (306) | 0 | (35) | 0 | 0 | 0 | 0 | (28) | 1,623 |
| | 0 | 0 | 0 | 0 | (4) | 0 | 0 | (3) | 111 |
| | (590) | (47) | (168) | 0 | (3) | 0 | 0 | 88 | 2,838 |
| | (590) | (73) | (84) | 0 | (3) | 0 | 0 | 91 | 2,399 |
| | **(4,035)** | **(149)** | **716** | **0** | **14** | **0** | **0** | **(145)** | **29,190** |
| | (14) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 327 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (1,443) | 71 | 459 | 0 | (37) | 0 | 0 | (43) | 4,733 |
| | (93) | 13 | (22) | 0 | 0 | 0 | 0 | (6) | 543 |
| | (49) | 1 | 148 | 0 | 0 | 0 | 0 | (4) | 436 |
| | (198) | 28 | (141) | 0 | 0 | 0 | 0 | 3 | 1,236 |
| | (964) | 26 | 411 | 0 | 0 | 0 | 0 | (24) | 1,904 |
| | (100) | 0 | 11 | (3) | 0 | 0 | 0 | (1) | 108 |
| | (4,242) | (94) | 322 | 0 | 0 | 0 | (229) | (208) | 12,534 |
| | (658) | (95) | 157 | 0 | 0 | 0 | (229) | (172) | 11,289 |
| | (3,217) | 0 | 25 | 0 | 0 | 0 | 0 | (22) | 8 |
| | (548) | (54) | (68) | (1) | (53) | 0 | 0 | (25) | 1,839 |
| | 0 | 0 | 7 | 0 | 0 | 0 | 0 | (9) | 505 |
| | **(6,347)** | **(77)** | **724** | **(4)** | **(90)** | **0** | **(229)** | **(277)** | **19,541** |
| | **2,312** | **(72)** | **(8)** | **4** | **104** | **0** | **229** | **132** | **9,649** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 6M15 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 77 | 0 | 0 | 0 |
| Debt | 4,461 | 434 | (681) | 1,284 |
| of which corporates | 1,430 | 114 | (131) | 491 |
| of which RMBS | 612 | 259 | (300) | 476 |
| of which CMBS | 257 | 20 | (47) | 139 |
| of which CDO | 1,421 | 17 | (161) | 158 |
| Equity | 896 | 114 | (273) | 561 |
| Derivatives | 6,823 | 1,130 | (593) | 0 |
| of which interest rate products | 1,803 | 23 | (198) | 0 |
| of which equity/index-related products | 1,063 | 306 | (91) | 0 |
| of which credit derivatives | 2,569 | 656 | (304) | 0 |
| Other | 4,323 | 707 | (540) | 2,464 |
| Trading assets | 16,503 | 2,385 | (2,087) | 4,309 |
| Investment securities | 3 | 0 | (65) | 215 |
| Equity | 549 | 0 | 0 | 34 |
| Life finance instruments | 1,834 | 0 | 0 | 100 |
| Other investments | 2,383 | 0 | 0 | 134 |
| Loans | 9,353 | 631 | (750) | 334 |
| of which commercial and industrial loans | 5,853 | 360 | (154) | 12 |
| of which financial institutions | 1,494 | 240 | (132) | 26 |
| Other intangible assets (mortgage servicing rights) | 70 | 0 | 0 | 10 |
| Other assets | 7,468 | 1,260 | (2,460) | 2,880 |
| of which loans held-for-sale | 6,851 | 1,259 | (2,415) | 2,832 |
| **Total assets at fair value** | **35,857** | **4,276** | **(5,362)** | **7,882** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 100 | 15 | (20) | 0 |
| Trading liabilities | 6,417 | 971 | (1,039) | 37 |
| of which interest rate derivatives | 1,202 | 27 | (233) | 0 |
| of which foreign exchange derivatives | 560 | 2 | 0 | 0 |
| of which equity/index-related derivatives | 1,466 | 44 | (468) | 0 |
| of which credit derivatives | 2,760 | 766 | (332) | 0 |
| Short-term borrowings | 95 | 49 | (10) | 0 |
| Long-term debt | 14,608 | 1,189 | (2,724) | 0 |
| of which structured notes over two years | 10,267 | 454 | (1,901) | 0 |
| of which non-recourse liabilities | 2,952 | 626 | (655) | 0 |
| Other liabilities | 3,363 | 45 | (1,129) | 104 |
| of which failed sales | 616 | 4 | (4) | 91 |
| **Total liabilities at fair value** | **24,583** | **2,269** | **(4,922)** | **141** |
| **Net assets/(liabilities) at fair value** | **11,274** | **2,007** | **(440)** | **7,741** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| 0 | 74 | 0 | 0 | 0 | 0 | 0 | (5) | 146 |
| (1,661) | 0 | 0 | (5) | 208 | 0 | 0 | (350) | 3,690 |
| (672) | 0 | 0 | (4) | 156 | 0 | 0 | (147) | 1,237 |
| (483) | 0 | 0 | (2) | 58 | 0 | 0 | (35) | 585 |
| (169) | 0 | 0 | 2 | (31) | 0 | 0 | (13) | 158 |
| (203) | 0 | 0 | (1) | 42 | 0 | 0 | (78) | 1,195 |
| (222) | 0 | 0 | 13 | 43 | 0 | 0 | (56) | 1,076 |
| 0 | 848 | (2,786) | (27) | (172) | 0 | 2 | (369) | 4,856 |
| 0 | 281 | (364) | (6) | (301) | 0 | 0 | (97) | 1,141 |
| 0 | 191 | (503) | 2 | 26 | 0 | 2 | (58) | 938 |
| 0 | 170 | (1,472) | (24) | (181) | 0 | 0 | (122) | 1,292 |
| (2,871) | 0 | (116) | 6 | 154 | 0 | 0 | (231) | 3,896 |
| (4,754) | 848 | (2,902) | (13) | 233 | 0 | 2 | (1,006) | 13,518 |
| (2) | 0 | (8) | 7 | 1 | 0 | 0 | (3) | 148 |
| (91) | 0 | 0 | 0 | 0 | 0 | (12) | (42) | 438 |
| (163) | 0 | 0 | 0 | (45) | 0 | 0 | (101) | 1,625 |
| (254) | 0 | 0 | 0 | (45) | 0 | (12) | (143) | 2,063 |
| (665) | 1,295 | (1,391) | 0 | (5) | 0 | 13 | (546) | 8,269 |
| (502) | 825 | (763) | 0 | 23 | 0 | 5 | (353) | 5,306 |
| (21) | 452 | (132) | 0 | (28) | 0 | 8 | (87) | 1,820 |
| 0 | 0 | 0 | 0 | 6 | 0 | 0 | (5) | 81 |
| (2,359) | 478 | (960) | (2) | (131) | 0 | (13) | (508) | 5,653 |
| (2,242) | 478 | (960) | 1 | (21) | 0 | (13) | (479) | 5,291 |
| **(8,034)** | **2,695** | **(5,261)** | **(8)** | **59** | **0** | **(10)** | **(2,216)** | **29,878** |
| 0 | 0 | (28) | 0 | 0 | 0 | 0 | (9) | 58 |
| (18) | 588 | (2,054) | 27 | (175) | (2) | 1 | (340) | 4,413 |
| 0 | 95 | (142) | (3) | 17 | 0 | 1 | (67) | 897 |
| 0 | 3 | (43) | 0 | (210) | 0 | 0 | (27) | 285 |
| 0 | 129 | (190) | 43 | 214 | 0 | 0 | (87) | 1,151 |
| 0 | 164 | (1,567) | (13) | (188) | (2) | 0 | (131) | 1,457 |
| 0 | 175 | (90) | 0 | 7 | 0 | 0 | (8) | 218 |
| 0 | 4,926 | (3,108) | 6 | (185) | 0 | 0 | (865) | 13,847 |
| 0 | 3,688 | (2,209) | 8 | (125) | 0 | 0 | (619) | 9,563 |
| 0 | 552 | (470) | (2) | (52) | 0 | 0 | (165) | 2,786 |
| (72) | 0 | (178) | 0 | (83) | 7 | 214 | (201) | 2,070 |
| (46) | 0 | 0 | 2 | (115) | 0 | 0 | (34) | 514 |
| **(90)** | **5,689** | **(5,458)** | **33** | **(436)** | **5** | **215** | **(1,423)** | **20,606** |
| **(7,944)** | **(2,994)** | **197** | **(41)** | **495** | **(5)** | **(225)** | **(793)** | **9,272** |

**Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)**

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | (80) | 108 | **28** [1] | 454 | (230) | **224** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (294) | 13 | **(281)** | (464) | (21) | **(485)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

### Transfers in and out of level 3

Transfers into level 3 assets during 6M16 were CHF 2,874 million, primarily from trading assets and loans. The transfers were primarily in the corporate credit and emerging markets businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 6M16 were CHF 3,147 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit, emerging markets and prime services businesses due to increased availability of pricing information.

Transfers into level 3 assets during 2Q16 were CHF 1,484 million, primarily from trading assets. The transfers were primarily in the corporate credit and emerging markets businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2Q16 were CHF 1,289 million, primarily in trading assets. The transfers out of level 3 assets were primarily in the global credit, emerging markets and prime services businesses due to increased availability of pricing information.

### Qualitative disclosures of valuation techniques

#### Overview

The Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Group's financial instruments.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's valuation control framework.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the tables "Quantitative information about level 3 assets at fair value" and "Quantitative information about level 3 liabilities at fair value".

#### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

#### Debt securities

##### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized as level 1 instruments. For debt securities for which market prices are not available, valuations are

based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorized as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price and correlation. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

#### CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate and discount rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity, discount rate and credit spread. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

### Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortization (EBITDA) multiple.

### Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

The valuation of derivatives includes an adjustment for the cost of funding uncollateralized OTC derivatives.

#### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options

and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility skew, prepayment rate, basis spread, gap risk and funding spread.

Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

Equity and index-related derivatives

Equity derivatives include a variety of products ranging from vanilla options and swaps to exotic structures with bespoke payoff profiles. The main inputs in the valuation of equity derivatives may include volatility, buyback probability, gap risk and correlation.

Generally, the interrelationship between the volatility and correlation is positively correlated.

Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread and correlation. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

**Other trading assets**

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of market implied life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual-specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

**Other investments**

Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published NAVs as permitted by ASC Topic 820 – Fair Value Measurement. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not in line with the fund's observable market data, it is probable that the investment will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs. The investments for which the fair value is measured using the net asset value practical expedient are not categorized within the fair value hierarchy.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

Life finance instruments

Life finance instruments include Single Premium Immediate Annuities (SPIA) and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

### Loans

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a loan pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available. The fair value of the consolidated financial assets of RMBS and CMBS securitization vehicles, which qualify as collateralized financing entities, are measured on the basis of the more observable fair value of the VIEs financial liabilities.

Accrual based loans in the Group's private, corporate and institutional banking businesses, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

### Deposits

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

### Short-term borrowings and long-term debt

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buyback probability, gap risk, correlation, volatility, credit spread, mean reversion and price.

Generally, the interrelationships between volatility, correlation, gap risk and credit spread inputs are positively correlated.

### Other liabilities

#### Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

### Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of EBITDA multiple, market implied life expectancy (for life finance instruments), buyback probability, correlation, price, volatility, volatility skew or funding spread, in general, an increase in the significant

unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of market implied life expectancy (for life settlement and premium finance instruments), capitalization rate, discount rate, prepayment rate, gap risk, recovery rate or credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input mean reversion would increase the fair value. An increase in the significant unobservable input basis spread would decrease the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

## Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

### Quantitative information about level 3 assets at fair value

| end of 2Q16<br>CHF million, except where indicated | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 300 | Discounted cash flow | Funding spread, in bp | 10 | 450 | 215 |
| Debt | 4,456 | | | | | |
| of which corporates | 2,289 | | | | | |
| of which | 467 | Option model | Correlation, in % | (85) | 98 | 22 |
| of which | 1,440 | Market comparable | Price, in % | 0 | 131 | 92 |
| of which | 47 | Discounted cash flow | Credit spread, in bp | 140 | 1,169 | 292 |
| of which RMBS | 373 | Discounted cash flow | Discount rate, in % | 0 | 39 | 8 |
| | | | Prepayment rate, in % | 0 | 28 | 9 |
| | | | Default rate, in % | 0 | 15 | 4 |
| | | | Loss severity, in % | 0 | 100 | 55 |
| of which CMBS | 57 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 0 | 11 | 5 |
| | | | Prepayment rate, in % | 0 | 15 | 5 |
| of which CDO | 1,429 | | | | | |
| of which | 206 | Discounted cash flow | Discount rate, in % | 5 | 32 | 16 |
| | | | Prepayment rate, in % | 0 | 20 | 11 |
| | | | Credit spread, in bp | 166 | 305 | 213 |
| | | | Default rate, in % | 0 | 8 | 2 |
| | | | Loss severity, in % | 3 | 100 | 62 |
| of which | 805 | Market comparable | Price, in % | 207 | 207 | 207 |
| Equity | 337 | Market comparable | EBITDA multiple | 0 | 10 | 6 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2Q16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 5,051 | | | | | |
| of which interest rate products | 782 | Option model | Correlation, in % | 16 | 100 | 49 |
| | | | Prepayment rate, in % | 1 | 36 | 14 |
| | | | Volatility skew, in % | (8) | 0 | (3) |
| of which equity/index-related products | 1,181 | Option model | Correlation, in % | (85) | 98 | 21 |
| | | | Volatility, in % | 0 | 144 | 18 |
| | | | Buyback probability, in % [2] | 50 | 100 | 63 |
| | | | Gap risk, in % [3] | 0 | 5 | 2 |
| of which credit derivatives | 1,580 | Discounted cash flow | Credit spread, in bp | 0 | 2,799 | 398 |
| | | | Recovery rate, in % | 0 | 93 | 23 |
| | | | Discount rate, in % | 3 | 55 | 20 |
| | | | Default rate, in % | 0 | 33 | 6 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 43 | 97 | 92 |
| | | | Prepayment rate, in % | 0 | 12 | 5 |
| Other | 4,847 | | | | | |
| of which | 3,551 | Market comparable | Price, in % | 0 | 102 | 41 |
| of which | 941 | Discounted cash flow | Market implied life expectancy, in years | 3 | 17 | 9 |
| Trading assets | 14,691 | | | | | |
| Investment securities | 155 | – | – | – | – | – |
| Private equity | 7 | – | – | – | – | – |
| Other equity investments | 410 | – | – | – | – | – |
| Life finance instruments | 1,687 | Discounted cash flow | Market implied life expectancy, in years | 2 | 19 | 7 |
| Other investments | 2,104 | | | | | |
| Loans | 8,991 | | | | | |
| of which commercial and industrial loans | 5,837 | | | | | |
| of which | 4,783 | Discounted cash flow | Credit spread, in bp | 5 | 5,400 | 431 |
| of which | 995 | Market comparable | Price, in % | 0 | 106 | 64 |
| of which financial institutions | 1,623 | | | | | |
| of which | 1,546 | Discounted cash flow | Credit spread, in bp | 78 | 846 | 333 |
| of which | 14 | Market comparable | Price, in % | 0 | 70 | 70 |
| Other intangible assets (mortgage servicing rights) | 111 | – | – | – | – | – |
| Other assets | 2,838 | | | | | |
| of which loans held-for-sale | 2,399 | | | | | |
| of which | 274 | Vendor price | Price, in % | 25 | 99 | 97 |
| of which | 828 | Discounted cash flow | Credit spread, in bp | 117 | 1,845 | 374 |
| | | | Recovery rate, in % | 0 | 1 | 1 |
| of which | 945 | Market comparable | Price, in % | 0 | 101 | 65 |
| **Total level 3 assets at fair value** | **29,190** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | Discounted cash flow | Funding spread, in bp | 350 | 475 | 361 |
| Debt | 4,563 | | | | | |
| of which corporates | 1,745 | | | | | |
| of which | 240 | Option model | Correlation, in % | (87) | 99 | 17 |
| of which | 836 | Market comparable | Price, in % | 0 | 128 | 29 |
| of which | 285 | Discounted cash flow | Credit spread, in bp | 134 | 1,408 | 493 |
| of which RMBS | 814 | Discounted cash flow | Discount rate, in % | 1 | 36 | 8 |
| | | | Prepayment rate, in % | 0 | 27 | 9 |
| | | | Default rate, in % | 0 | 20 | 3 |
| | | | Loss severity, in % | 0 | 100 | 50 |
| of which CMBS | 215 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 0 | 23 | 8 |
| | | | Prepayment rate, in % | 0 | 16 | 3 |
| | | | Default rate, in % | 0 | 32 | 1 |
| | | | Loss severity, in % | 0 | 75 | 4 |
| of which CDO | 1,298 | | | | | |
| of which | 66 | Vendor price | Price, in % | 0 | 100 | 96 |
| of which | 329 | Discounted cash flow | Discount rate, in % | 1 | 25 | 11 |
| | | | Prepayment rate, in % | 0 | 20 | 14 |
| | | | Credit spread, in bp | 293 | 336 | 309 |
| | | | Default rate, in % | 0 | 10 | 2 |
| | | | Loss severity, in % | 0 | 100 | 46 |
| of which | 807 | Market comparable | Price, in % | 214 | 214 | 214 |
| Equity | 871 | | | | | |
| of which | 342 | Option model | Volatility, in % | 2 | 253 | 29 |
| of which | 471 | Market comparable | EBITDA multiple | 3 | 12 | 8 |
| | | | Price, in % | 0 | 202 | 96 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 4,831 | | | | | |
| of which interest rate products | 791 | Option model | Correlation, in % | 17 | 100 | 63 |
| | | | Prepayment rate, in % | 1 | 36 | 16 |
| | | | Volatility skew, in % | (8) | 0 | (2) |
| | | | Mean reversion, in % [2] | 5 | 10 | 10 |
| | | | Credit spread, in bp | 130 | 1,687 | 330 |
| of which equity/index-related products | 936 | | | | | |
| | 778 | Option model | Correlation, in % | (87) | 99 | 23 |
| | | | Volatility, in % | 0 | 253 | 26 |
| | 109 | Market comparable | EBITDA multiple | 4 | 10 | 7 |
| | | | Price, in % | 97 | 97 | 97 |
| of which credit derivatives | 1,568 | Discounted cash flow | Credit spread, in bp | 1 | 2,349 | 331 |
| | | | Recovery rate, in % | 0 | 60 | 23 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 35 | 6 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 43 | 97 | 85 |
| | | | Prepayment rate, in % | 0 | 12 | 4 |
| | | | Funding spread, in bp | 61 | 68 | 67 |
| Other | 4,266 | | | | | |
| of which | 2,859 | Market comparable | Price, in % | 0 | 106 | 45 |
| of which | 865 | Discounted cash flow | Market implied life expectancy, in years | 3 | 18 | 8 |
| Trading assets | 14,531 | | | | | |
| Investment securities | 148 | – | – | – | – | – |
| Other equity investments | 366 | – | – | – | – | – |
| Life finance instruments | 1,669 | Discounted cash flow | Market implied life expectancy, in years | 2 | 20 | 8 |
| Other investments | 2,035 | | | | | |
| Loans | 8,950 | | | | | |
| of which commercial and industrial loans | 5,735 | | | | | |
| of which | 3,799 | Discounted cash flow | Credit spread, in bp | 70 | 2,528 | 474 |
| of which | 1,146 | Market comparable | Price, in % | 0 | 106 | 65 |
| of which financial institutions | 1,729 | | | | | |
| | 1,451 | Discounted cash flow | Credit spread, in bp | 84 | 826 | 359 |
| | 109 | Market comparable | Price, in % | 0 | 100 | 98 |
| Other intangible assets (mortgage servicing rights) | 112 | – | – | – | – | – |
| Other assets | 7,087 | | | | | |
| of which loans held-for-sale | 6,768 | | | | | |
| of which | 3,594 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 722 | Discounted cash flow | Credit spread, in bp | 99 | 3,220 | 515 |
| | | | Recovery rate, in % | 1 | 1 | 1 |
| of which | 2,251 | Market comparable | Price, in % | 0 | 104 | 76 |
| **Total level 3 assets at fair value** | **33,021** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value

| end of 2Q16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 327 | – | – | – | – | – |
| Trading liabilities | 4,733 | | | | | |
| of which interest rate derivatives | 543 | Option model | Basis spread, in bp | (16) | 73 | 39 |
| | | | Correlation, in % | 16 | 100 | 82 |
| | | | Prepayment rate, in % | 0 | 36 | 7 |
| | | | Gap risk, in % [2] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 436 | Option model | Correlation, in % | (10) | 70 | 55 |
| | | | Prepayment rate, in % | 25 | 36 | 30 |
| of which equity/index-related derivatives | 1,236 | Option model | Correlation, in % | (85) | 98 | 21 |
| | | | Volatility, in % | 2 | 144 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 63 |
| of which credit derivatives | 1,904 | Discounted cash flow | Credit spread, in bp | 0 | 2,799 | 274 |
| | | | Discount rate, in % | 3 | 55 | 20 |
| | | | Default rate, in % | 0 | 33 | 6 |
| | | | Recovery rate, in % | 2 | 82 | 25 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 16 | 96 | 64 |
| | | | Prepayment rate, in % | 0 | 14 | 5 |
| Short-term borrowings | 108 | – | – | – | – | – |
| Long-term debt | 12,534 | | | | | |
| of which structured notes over two years | 11,289 | | | | | |
| of which | 10,396 | Option model | Correlation, in % | (85) | 99 | 22 |
| | | | Volatility, in % | 2 | 144 | 30 |
| | | | Buyback probability, in % [3] | 50 | 100 | 63 |
| | | | Gap risk, in % [2] | 0 | 2 | 1 |
| | | | Mean reversion, in % [4] | (14) | (1) | (7) |
| of which | 667 | Discounted cash flow | Credit spread, in bp | 1 | 2,011 | 236 |
| Other liabilities | 1,839 | | | | | |
| of which failed sales | 505 | | | | | |
| of which | 424 | Market comparable | Price, in % | 0 | 100 | 79 |
| of which | 37 | Discounted cash flow | Discount rate, in % | 6 | 43 | 25 |
| **Total level 3 liabilities at fair value** | **19,541** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[3] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[4] Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 254 | – | – | – | – | – |
| Trading liabilities | 4,615 | | | | | |
| of which interest rate derivatives | 578 | Option model | Basis spread, in bp | (7) | 53 | 25 |
| | | | Correlation, in % | 17 | 100 | 75 |
| | | | Mean reversion, in % [2] | 5 | 10 | 8 |
| | | | Prepayment rate, in % | 0 | 36 | 9 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 329 | Option model | Correlation, in % | (10) | 70 | 54 |
| | | | Prepayment rate, in % | 24 | 36 | 30 |
| of which equity/index-related derivatives | 1,347 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 26 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| of which credit derivatives | 1,757 | Discounted cash flow | Credit spread, in bp | 1 | 1,687 | 275 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 33 | 5 |
| | | | Recovery rate, in % | 8 | 60 | 27 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 17 | 95 | 80 |
| | | | Funding spread, in bp | 51 | 68 | 68 |
| | | | Prepayment rate, in % | 0 | 12 | 5 |
| Short-term borrowings | 72 | – | – | – | – | – |
| Long-term debt | 14,123 | | | | | |
| of which structured notes over two years | 9,924 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 28 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| | | | Gap risk, in % [3] | 0 | 3 | 1 |
| | | | Credit spread, in bp | 153 | 182 | 177 |
| of which non-recourse liabilities | 3,197 | | | | | |
| of which | 3,183 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 14 | Market comparable | Price, in % | 0 | 87 | 9 |
| Other liabilities | 2,491 | | | | | |
| of which failed sales | 454 | | | | | |
| of which | 379 | Market comparable | Price, in % | 0 | 106 | 90 |
| of which | 68 | Discounted cash flow | Credit spread, in bp | 571 | 1,687 | 1,425 |
| | | | Discount rate, in % | 7 | 23 | 15 |
| **Total level 3 liabilities at fair value** | **21,555** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[4] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.

### Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above results in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

#### Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest, while the higher end of the range relates to collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates, while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary from collateral pool to collateral pool, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and volatility skew

Volatility and its skew are both impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility may vary significantly between different underlying currencies and expiration dates on the options. Similarly, in the case of equity derivatives, the volatility attributed to a structure may vary depending upon the underlying reference name on the derivative.

Market implied life expectancy

Market implied life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA, and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of the insured.

Price

Bond equivalent price is a primary significant unobservable input for multiple products. Where market prices are not available for an instrument, benchmarking may be utilized to identify comparable issues (same industry and similar product mixes) while adjustments are considered for differences in deal terms and performance.

Buyback probability

Buyback probability is the probability assigned to structured notes being unwound prior to their legal maturity.

Gap risk

Gap risk is the primary significant unobservable input for fund-linked Constant Proportion Portfolio Insurance products and structures where the payoff may be sensitive to discontinuity in the hedging portfolio.

Mean reversion

Mean reversion is the primary significant unobservable input for callable constant maturity swap (CMS) spread exotics and represents the idea that prices and returns eventually move back towards the historical average.

Funding spread

Funding spread is the primary significant unobservable input for special purpose vehicle funding facilities. Synthetic funding curves which represent the assets pledged as collateral are used to value structured financing transactions. The curves provide an estimate of where secured funding can be sourced and are expressed as a basis point spread in relation to the referenced benchmark rate.

Capitalization rate

Capitalization rate is the primary significant unobservable input for CMBS loans and is used to estimate the potential return on investment. This is done by dividing the yearly income by the total value of the property.

Basis spread

Basis spread is the primary significant unobservable input for non-callable constant maturity treasury-CMS products and is used to determine interest rate risk as a result of differing lending and borrowing rates.

EBITDA multiple

EBITDA multiple is a primary significant unobservable input for some equity deals which are benchmarked using industry comparables. The EBITDA multiple may be preferred over other measures because it is normalized for differences between the accounting policies of similar companies.

**Fair value measurements of investments in certain entities that calculate NAV per share**

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which is generally up to 10 years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

**Fair value, unfunded commitments and term of redemption conditions**

| end of | 2Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 |
| Equity funds | 69 | 1,701 [1] | 1,770 | 0 | 79 | 1,606 [2] | 1,685 | 0 |
| Equity funds sold short | 0 | (5) | (5) | 0 | 0 | (6) | (6) | 0 |
| Total funds held in trading assets and liabilities | 69 | 1,696 | 1,765 | 0 | 81 | 1,600 | 1,681 | 0 |
| Debt funds | 200 | 38 | 238 | 0 | 184 | 76 | 260 | 1 |
| Equity funds | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 35 | 35 | 0 | 0 | 35 | 35 | 0 |
| Hedge funds | 201 | 73 [3] | 274 | 0 | 184 | 111 [4] | 295 | 1 |
| Debt funds | 7 | 0 | 7 | 5 | 11 | 0 | 11 | 17 |
| Equity funds | 237 | 0 | 237 | 55 | 437 | 0 | 437 | 115 |
| Real estate funds | 221 | 0 | 221 | 57 | 282 | 0 | 282 | 76 |
| Others | 125 | 0 | 125 | 65 | 312 | 0 | 312 | 141 |
| Private equities | 590 | 0 | 590 | 182 | 1,042 | 0 | 1,042 | 349 |
| Equity method investments | 444 | 96 | 540 | 76 | 660 | 196 | 856 | 100 |
| Total funds held in other investments | 1,235 | 169 | 1,404 | 258 | 1,886 | 307 | 2,193 | 450 |
| **Total fair value** | **1,304** [5] | **1,865** [6] | **3,169** | **258** [7] | **1,967** [5] | **1,907** [6] | **3,874** | **450** [7] |

[1] 46% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 29% is redeemable on an annual basis with a notice period of more than 60 days, 18% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 7% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[2] 40% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 31% is redeemable on an annual basis with a notice period of more than 60 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 6% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[3] 72% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 18% is redeemable on demand with a notice period primarily of less than 30 days, 7% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

[4] 87% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, 5% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

[5] Includes CHF 179 million and CHF 464 million attributable to noncontrolling interests in 2Q16 and 4Q15, respectively.

[6] Includes CHF 5 million and CHF 9 million attributable to noncontrolling interests in 2Q16 and 4Q15, respectively.

[7] Includes CHF 51 million and CHF 176 million attributable to noncontrolling interests in 2Q16 and 4Q15, respectively.

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use. Nonrecurring measurements are completed as of period's end unless otherwise stated.

### Nonrecurring fair value changes

| end of | **2Q16** | 4Q15 |
|---|---|---|
| **CHF billion** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.2** | **0.1** |
| of which level 2 | 0.2 | 0.1 |

## FAIR VALUE OPTION

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in the investment banking businesses and International Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's election of the fair value option for certain of its financial statement captions.

### Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

| end of | **2Q16** | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 1,364 | 5,106 | (3,742) | 1,628 | 5,019 | (3,391) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 0 | 0 | 0 | 2 | 2 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 79,927 | 79,790 | 137 | 83,565 | 83,397 | 168 |
| Loans | 20,831 | 21,858 | (1,027) | 20,820 | 22,289 | (1,469) |
| Other assets [1] | 12,137 | 16,323 | (4,186) | 23,906 | 30,308 | (6,402) |
| Due to banks and customer deposits | (1,073) | (960) | (113) | (913) | (826) | (87) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (18,114) | (18,100) | (14) | (32,398) | (32,381) | (17) |
| Short-term borrowings | (2,996) | (3,063) | 67 | (3,112) | (3,263) | 151 |
| Long-term debt | (73,922) | (78,861) | 4,939 | (80,931) | (85,335) | 4,404 |
| Other liabilities | (1,069) | (2,609) | 1,540 | (984) | (2,619) | 1,635 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| in | 6M16 | 6M15 |
|---|---|---|
| | Net gains/ (losses) | Net gains/ (losses) |
| **Financial instruments (CHF million)** | | |
| Interest-bearing deposits with banks | 1 [1] | 1 [1] |
| of which related to credit risk | 0 | (1) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 670 [1] | 640 [1] |
| Other investments | 224 [2] | (37) [2] |
| of which related to credit risk | (5) | (2) |
| Loans | 912 [1] | 442 [1] |
| of which related to credit risk | (106) | 45 |
| Other assets | (287) [2] | 355 [1] |
| of which related to credit risk | (264) | (64) |
| Due to banks and customer deposits | (65) [2] | 36 [2] |
| of which related to credit risk | (5) | 27 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (83) [1] | 47 [2] |
| Short-term borrowings | 437 [2] | (18) [2] |
| Long-term debt | (1,488) [2] | 660 [2] |
| of which related to credit risk | 0 | 288 [3] |
| Other liabilities | 326 [2] | 189 [2] |
| of which related to credit risk | 220 | 11 |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF (8) million and CHF 301 million in 6M15, respectively.

The following table provides additional information regarding the gains and losses attributable to changes in instrument-specific credit risk on fair value option elected liabilities which are recorded through AOCI. The table includes both the amount of change during the period and cumulatively that is attributable to the changes in instrument-specific credit risk. In addition it includes the gains and losses related to instrument-specific credit risk that was previously recorded in AOCI that have been transferred during the period to net income.

## Own credit gains/(losses) on fair value option elected instruments recorded in AOCI

| | Gains/(losses) recorded into AOCI [1] | | Gains/(losses) recorded in AOCI transferred to net income [1] |
|---|---|---|---|
| in | **2Q16** | **Cumulatively** | **2Q16** |
| **Financial instruments (CHF million)** | | | |
| Deposits | (1) | 0 | 0 |
| Short-term borrowings | (1) | (1) | 0 |
| Long-term debt | (9) | 1,830 | 0 |
| of which treasury debt over two years | (33) | 763 | 0 |
| of which structured notes over two years | 30 | 1,058 | 0 |
| **Total** | **(11)** | **1,829** | **0** |

[1] Amounts are reflected gross of tax.

## FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheets. The disclosure excludes all non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations.

### Carrying value and fair value of financial instruments not carried at fair value

| | Carrying value | Fair value | | | |
|---|---|---|---|---|---|
| end of | | Level 1 | Level 2 | Level 3 | Total |
| **2Q16** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 42,140 | 0 | 42,140 | 0 | 42,140 |
| Loans | 249,027 | 0 | 252,112 | 6,406 | 258,518 |
| Other financial assets [1] | 178,593 | 113,893 | 63,034 | 1,945 | 178,872 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 366,367 | 203,187 | 163,123 | 0 | 366,310 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 14,385 | 0 | 14,351 | 0 | 14,351 |
| Short-term borrowings | 8,182 | 0 | 8,184 | 0 | 8,184 |
| Long-term debt | 126,304 | 0 | 127,378 | 594 | 127,972 |
| Other financial liabilities [2] | 67,993 | 2,292 | 65,253 | 463 | 68,008 |
| **4Q15** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 39,485 | 0 | 39,485 | 0 | 39,485 |
| Loans | 248,326 | 0 | 250,639 | 6,150 | 256,789 |
| Other financial assets [1] | 148,491 | 92,547 | 54,359 | 1,893 | 148,799 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 359,614 | 206,475 | 153,545 | 0 | 360,020 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 14,200 | 0 | 14,401 | 0 | 14,401 |
| Short-term borrowings | 5,546 | 0 | 5,545 | 0 | 5,545 |
| Long-term debt | 116,676 | 0 | 117,321 | 778 | 118,099 |
| Other financial liabilities [2] | 63,921 | 32 | 63,440 | 578 | 64,050 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 30 Assets pledged and collateral

The Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are disclosed on the consolidated balance sheet.

### Assets pledged

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 117,809 | 137,330 |
| of which encumbered | 80,600 | 91,278 |

### Collateral

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Group was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 386,480 | 422,269 |
| of which sold or repledged | 184,537 | 186,132 |

## 31 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The Group's material proceedings, related provisions and estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions are described in *Note 39 – Litigation in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015* and updated in subsequent quarterly reports (including those discussed below). Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Group accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

The specific matters described include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed in Note 39 referenced above and updated in quarterly reports (including below) for which the Group believes an estimate is possible is zero to CHF 2.1 billion.

In 2Q16, the Group recorded net litigation provisions of CHF 86 million. After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

**Enron-related litigation**

On June 2, 2016, the Judicial Panel on Multidistrict Litigation entered an order granting plaintiffs' motion to remand the Silvercreek Management Inc. v. Citigroup, Inc., et al. case to the US District Court for the Southern District of New York (SDNY) for further proceedings.

**Mortgage-related matters**

The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance.

Class action litigations

On May 10, 2016, the SDNY granted its final approval of a settlement of USD 110 million relating to the New Jersey Carpenters Health Fund v. Home Equity Mortgage Trust 2006-5 class action and entered a final judgment and order of dismissal with prejudice in respect of this matter.

Individual investor actions

On May 4, 2016, the Washington state court presiding in the action brought by the Federal Home Loan Bank of Seattle granted Credit Suisse Securities (USA) LLC (CSS LLC) and its affiliates' motion for partial summary judgment, dismissing with prejudice all claims related to certain RMBS, thus reducing the RMBS at issue against CSS LLC and its affiliates in the Seattle action from approximately USD 249 million to approximately USD 104 million. The July 2016 trial date for CSS LLC and its affiliates has been removed from the calendar, and a new trial date for a date in or after October 2016 is yet to be set.

On June 1, 2016, following a settlement, a stipulation of dismissal with prejudice was filed with the US District Court for the Middle District of Alabama, which was entered by the court on June 8, 2016, discontinuing the action brought by the Federal Deposit Insurance Corporation (FDIC) as receiver for Colonial Bank relating to approximately USD 34 million of the RMBS at issue against CSS LLC (approximately 12% of the USD 283 million at issue against all defendants in the operative pleading).

On June 8, 2016, following a settlement, the US Court of Appeals for the Ninth Circuit, presiding in the appeal of the action brought by the FDIC as receiver for Colonial Bank in the US District Court for the Central District of California (CDC), granted the stipulation withdrawing FDIC's appeal of the CDC's dismissal with prejudice of all claims against CSS LLC, relating to approximately USD 12 million of the RMBS at issue (approximately 5% of the USD 259 million at issue against all defendants in the operative pleading). Thus, the entire action is dismissed with prejudice.

On June 13, 2016, the California state court presiding in the actions brought by the Federal Home Loan Bank of San Francisco dismissed with prejudice certain claims against CSS LLC and its affiliates, reducing the RMBS at issue against CSS LLC and its affiliates in the San Francisco actions from approximately USD 1.7 billion to approximately USD 1.6 billion (approximately 17% of the USD 9.5 billion at issue against all defendants in the operative pleadings, reduced to reflect dismissal of actions relating to certain certificates). On June 14, 2016, the court entered an order postponing the trial from August 2016 to October 2016.

**Refco-related litigation**

On June 15, 2016, following a settlement, the US Court of Appeals for the Second Circuit (Second Circuit), presiding in the appeal of the action brought by the Joint Official Liquidators of various SPhinX Funds and the trustee of the SPhinX Trust in the SDNY, granted the stipulation withdrawing the appeal, with prejudice, as to CSS LLC and another defendant in the action. Thus, the entire action against CSS LLC is dismissed with prejudice.

**Rates-related matters**

On May 11, 2016, the SDNY preliminarily approved plaintiffs' settlement agreements with Credit Suisse AG, New York Branch, and six other financial institutions in the consolidated civil class action lawsuit relating to the alleged manipulation of the ISDAFIX rate for US dollars. The settlement provides for dismissal of the case with

prejudice and a settlement payment of USD 50 million by Credit Suisse. The settlements remain subject to final court approval.

On May 19, 2016, affiliates of Credit Suisse Group AG, along with several other financial institutions, filed a motion to dismiss a putative class action in the SDNY. The plaintiffs allege that the defendant financial institutions conspired to manipulate certain foreign exchange rates in violation of the US Employee Retirement Income Security Act of 1974.

On May 23, 2016, in the multi-district litigation concerning US Dollar LIBOR, the Second Circuit reversed the decision of the SDNY dismissing plaintiffs' Sherman Antitrust Act claims and remanded the claims to the SDNY for additional briefing on the issue of whether such claims have been adequately alleged.

Additional putative class action complaints and another individual lawsuit were filed against Credit Suisse Group AG and affiliates, along with other financial institutions, relating to interest rate swaps (IRS). Similar to previously filed complaints, plaintiffs allege that dealer defendants conspired with trading platforms to prevent the development of IRS exchanges. The second individual lawsuit was brought by Javelin Capital Markets LLC, a swap execution facility, and an affiliate, which claim to have suffered lost profits as a result of defendants' alleged conspiracy. All IRS actions, including the two individual actions, have been consolidated in a multi-district litigation in the SDNY. Plaintiffs have not yet filed a consolidated complaint.

On July 1, 2016, Credit Suisse AG and Credit Suisse Group AG, along with other financial institutions, were named in a putative class action brought in the SDNY, alleging manipulation of the Singapore Interbank Offered Rate and Singapore Swap Offer Rate.

Credit Suisse Group AG and affiliates, along with other financial institutions and individuals, have been named in several putative class action complaints filed in the SDNY relating to supranational, sub-sovereign, and agency (SSA) bonds. The complaints generally allege that defendants conspired to fix the prices of SSA bonds sold to and purchased from investors in the secondary market.

**ATA litigation**

On July 12, 2016, plaintiffs filed a second amended complaint in the US District Court for the Eastern District of New York against a number of banks, including Credit Suisse AG, alleging claims under the United States Anti-Terrorism Act (ATA). Credit Suisse AG plans to move to dismiss this version of the complaint on essentially the same grounds set forth in its previous motions to dismiss the earlier complaints.

**Mossack Fonseca matter**

Credit Suisse, along with many financial institutions, has received inquiries from governmental and regulatory authorities concerning banking relationships between financial institutions, their clients and the Panama-based law firm of Mossack Fonseca. Credit Suisse is conducting a review of these issues and has been cooperating with the authorities.

## 32 Subsidiary guarantee information

Certain wholly-owned finance subsidiaries of the Group, including Credit Suisse Group Funding (Guernsey) Limited, which is a Guernsey incorporated non-cellular company limited by shares, have issued securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law for the Guernsey subsidiary, applicable to some of the Group's subsidiaries that may limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly owned subsidiary of the Group.

As part of an announced program to evolve the Group's legal entity structure to meet developing and future regulatory requirements and US Federal Reserve regulation on establishing Intermediate Holding Companies in the US for non-US banks, legal entities are re-parented as subsidiaries of Credit Suisse (USA), Inc. Prior periods are restated to conform to the current presentation to reflect the impact of such transactions.

## Condensed consolidating statements of operations

| in 2Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,421 | 3,222 | 4,643 | 69 | 45 | 4,757 |
| Interest expense | (961) | (1,778) | (2,739) | (82) | 63 | (2,758) |
| Net interest income | 460 | 1,444 | 1,904 | (13) | 108 | 1,999 |
| Commissions and fees | 909 | 1,819 | 2,728 | 7 | 61 | 2,796 |
| Trading revenues | (167) | 264 | 97 | 13 | (16) | 94 |
| Other revenues | 198 | 36 | 234 | 158 [2] | (173) | 219 |
| **Net revenues** | **1,400** | **3,563** | **4,963** | **165** | **(20)** | **5,108** |
| **Provision for credit losses** | **(8)** | **(26)** | **(34)** | **0** | **6** | **(28)** |
| Compensation and benefits | 790 | 1,960 | 2,750 | 13 | (29) | 2,734 |
| General and administrative expenses | 464 | 1,293 | 1,757 | (19) | 22 | 1,760 |
| Commission expenses | 60 | 290 | 350 | 1 | 1 | 352 |
| Restructuring expenses | 22 | 63 | 85 | 0 | 6 | 91 |
| Total other operating expenses | 546 | 1,646 | 2,192 | (18) | 29 | 2,203 |
| **Total operating expenses** | **1,336** | **3,606** | **4,942** | **(5)** | **0** | **4,937** |
| **Income/(loss) from continuing operations before taxes** | **72** | **(17)** | **55** | **170** | **(26)** | **199** |
| Income tax expense | 7 | 1 | 8 | 0 | 13 | 21 |
| **Net income/(loss)** | **65** | **(18)** | **47** | **170** | **(39)** | **178** |
| Net income/(loss) attributable to noncontrolling interests | 50 | (41) | 9 | 0 | (1) | 8 |
| **Net income/(loss) attributable to shareholders** | **15** | **23** | **38** | **170** | **(38)** | **170** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 2Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 65 | (18) | 47 | 170 | (39) | 178 |
| Gains/(losses) on cash flow hedges | 0 | 22 | 22 | (2) | 0 | 20 |
| Foreign currency translation | 306 | 26 | 332 | 4 | 9 | 345 |
| Unrealized gains/(losses) on securities | 0 | 1 | 1 | 0 | 1 | 2 |
| Actuarial gains/(losses) | 6 | 4 | 10 | 0 | 72 | 82 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (25) | (25) |
| Gains/(losses) on liabilities relating to credit risk | 6 | (56) | (50) | (10) | (9) | (69) |
| Other comprehensive income/(loss), net of tax | 318 | (3) | 315 | (8) | 48 | 355 |
| **Comprehensive income/(loss)** | **383** | **(21)** | **362** | **162** | **9** | **533** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 65 | (32) | 33 | 0 | (11) | 22 |
| **Comprehensive income attributable to shareholders** | **318** | **11** | **329** | **162** | **20** | **511** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 2Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,758 | 4,025 | 5,783 | 67 | 53 | 5,903 |
| Interest expense | (1,032) | (1,983) | (3,015) | (80) | 61 | (3,034) |
| Net interest income | 726 | 2,042 | 2,768 | (13) | 114 | 2,869 |
| Commissions and fees | 1,083 | 2,124 | 3,207 | 5 | 47 | 3,259 |
| Trading revenues | (25) | 517 | 492 | 5 | 1 | 498 |
| Other revenues | 177 | 162 | 339 | 1,029 [2] | (1,039) | 329 |
| **Net revenues** | **1,961** | **4,845** | **6,806** | **1,026** | **(877)** | **6,955** |
| **Provision for credit losses** | **5** | **33** | **38** | **0** | **13** | **51** |
| Compensation and benefits | 927 | 1,983 | 2,910 | 16 | (12) | 2,914 |
| General and administrative expenses | 482 | 1,464 | 1,946 | (41) | 23 | 1,928 |
| Commission expenses | 67 | 337 | 404 | 1 | 1 | 406 |
| Total other operating expenses | 549 | 1,801 | 2,350 | (40) | 24 | 2,334 |
| **Total operating expenses** | **1,476** | **3,784** | **5,260** | **(24)** | **12** | **5,248** |
| **Income/(loss) from continuing operations before taxes** | **480** | **1,028** | **1,508** | **1,050** | **(902)** | **1,656** |
| Income tax expense/(benefit) | 301 | 262 | 563 | (1) | 28 | 590 |
| **Net income/(loss)** | **179** | **766** | **945** | **1,051** | **(930)** | **1,066** |
| Net income/(loss) attributable to noncontrolling interests | 24 | (9) | 15 | 0 | 0 | 15 |
| **Net income/(loss) attributable to shareholders** | **155** | **775** | **930** | **1,051** | **(930)** | **1,051** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 2Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 179 | 766 | 945 | 1,051 | (930) | 1,066 |
| Gains/(losses) on cash flow hedges | 0 | 30 | 30 | 1 | 0 | 31 |
| Foreign currency translation | (770) | (283) | (1,053) | 2 | (2) | (1,053) |
| Unrealized gains/(losses) on securities | 0 | (12) | (12) | 0 | 0 | (12) |
| Actuarial gains/(losses) | 9 | 8 | 17 | 0 | 75 | 92 |
| Net prior service credit/(cost) | (3) | (1) | (4) | 0 | (18) | (22) |
| Other comprehensive income/(loss), net of tax | (764) | (258) | (1,022) | 3 | 55 | (964) |
| **Comprehensive income/(loss)** | **(585)** | **508** | **(77)** | **1,054** | **(875)** | **102** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (13) | (27) | (40) | 0 | 25 | (15) |
| **Comprehensive income/(loss) attributable to shareholders** | **(572)** | **535** | **(37)** | **1,054** | **(900)** | **117** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 6M16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 3,096 | 6,018 | 9,114 | 140 | 88 | 9,342 |
| Interest expense | (2,010) | (3,283) | (5,293) | (167) | 128 | (5,332) |
| Net interest income | 1,086 | 2,735 | 3,821 | (27) | 216 | 4,010 |
| Commissions and fees | 1,675 | 3,657 | 5,332 | 13 | 126 | 5,471 |
| Trading revenues | (933) | 624 | (309) | 72 | 60 | (177) |
| Other revenues | 427 | 58 | 485 | (208) [2] | 165 | 442 |
| **Net revenues** | **2,255** | **7,074** | **9,329** | **(150)** | **567** | **9,746** |
| **Provision for credit losses** | **(7)** | **114** | **107** | **0** | **15** | **122** |
| Compensation and benefits | 1,594 | 3,659 | 5,253 | 18 | (55) | 5,216 |
| General and administrative expenses | 948 | 2,673 | 3,621 | (38) | 25 | 3,608 |
| Commission expenses | 121 | 612 | 733 | 1 | 5 | 739 |
| Restructuring expenses | 142 | 176 | 318 | 0 | 28 | 346 |
| Total other operating expenses | 1,211 | 3,461 | 4,672 | (37) | 58 | 4,693 |
| **Total operating expenses** | **2,805** | **7,120** | **9,925** | **(19)** | **3** | **9,909** |
| **Income/(loss) from continuing operations before taxes** | **(543)** | **(160)** | **(703)** | **(131)** | **549** | **(285)** |
| Income tax expense/(benefit) | (246) | (47) | (293) | 1 | 134 | (158) |
| **Net income/(loss)** | **(297)** | **(113)** | **(410)** | **(132)** | **415** | **(127)** |
| Net income/(loss) attributable to noncontrolling interests | 72 | (70) | 2 | 0 | 3 | 5 |
| **Net income/(loss) attributable to shareholders** | **(369)** | **(43)** | **(412)** | **(132)** | **412** | **(132)** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 6M16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | (297) | (113) | (410) | (132) | 415 | (127) |
| Gains/(losses) on cash flow hedges | 0 | 68 | 68 | (2) | 0 | 66 |
| Foreign currency translation | (312) | (192) | (504) | 6 | (12) | (510) |
| Unrealized gains/(losses) on securities | 0 | 5 | 5 | 0 | 2 | 7 |
| Actuarial gains/(losses) | 13 | 7 | 20 | 0 | 167 | 187 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (53) | (53) |
| Gains/(losses) on liabilities relating to credit risk | 55 | 987 | 1,042 | 78 | 77 | 1,197 |
| Other comprehensive income/(loss), net of tax | (244) | 875 | 631 | 82 | 181 | 894 |
| **Comprehensive income/(loss)** | **(541)** | **762** | **221** | **(50)** | **596** | **767** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 64 | (76) | (12) | 0 | 13 | 1 |
| **Comprehensive income/(loss) attributable to shareholders** | **(605)** | **838** | **233** | **(50)** | **583** | **766** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 6M15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 3,453 | 6,693 | 10,146 | 136 | 111 | 10,393 |
| Interest expense | (2,097) | (3,230) | (5,327) | (161) | 116 | (5,372) |
| Net interest income | 1,356 | 3,463 | 4,819 | (25) | 227 | 5,021 |
| Commissions and fees | 2,032 | 4,100 | 6,132 | 7 | 99 | 6,238 |
| Trading revenues | 54 | 1,844 | 1,898 | (3) | (7) | 1,888 |
| Other revenues | 297 | 199 | 496 | 2,105 [2] | (2,146) | 455 |
| **Net revenues** | **3,739** | **9,606** | **13,345** | **2,084** | **(1,827)** | **13,602** |
| **Provision for credit losses** | **5** | **53** | **58** | **0** | **23** | **81** |
| Compensation and benefits | 1,928 | 3,937 | 5,865 | 45 | (20) | 5,890 |
| General and administrative expenses | 920 | 2,780 | 3,700 | (67) | 33 | 3,666 |
| Commission expenses | 130 | 663 | 793 | 1 | 4 | 798 |
| Total other operating expenses | 1,050 | 3,443 | 4,493 | (66) | 37 | 4,464 |
| **Total operating expenses** | **2,978** | **7,380** | **10,358** | **(21)** | **17** | **10,354** |
| **Income/(loss) from continuing operations before taxes** | **756** | **2,173** | **2,929** | **2,105** | **(1,867)** | **3,167** |
| Income tax expense | 397 | 615 | 1,012 | 0 | 55 | 1,067 |
| **Net income/(loss)** | **359** | **1,558** | **1,917** | **2,105** | **(1,922)** | **2,100** |
| Net income/(loss) attributable to noncontrolling interests | 32 | (33) | (1) | 0 | (4) | (5) |
| **Net income/(loss) attributable to shareholders** | **327** | **1,591** | **1,918** | **2,105** | **(1,918)** | **2,105** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 6M15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 359 | 1,558 | 1,917 | 2,105 | (1,922) | 2,100 |
| Gains/(losses) on cash flow hedges | 0 | 52 | 52 | (13) | 0 | 39 |
| Foreign currency translation | (1,140) | (1,402) | (2,542) | (1) | (3) | (2,546) |
| Unrealized gains/(losses) on securities | 0 | (5) | (5) | 0 | 3 | (2) |
| Actuarial gains/(losses) | 18 | 16 | 34 | 0 | 147 | 181 |
| Net prior service credit/(cost) | (7) | 0 | (7) | 0 | (36) | (43) |
| Other comprehensive income/(loss), net of tax | (1,129) | (1,339) | (2,468) | (14) | 111 | (2,371) |
| **Comprehensive income/(loss)** | **(770)** | **219** | **(551)** | **2,091** | **(1,811)** | **(271)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (27) | (67) | (94) | 0 | 35 | (59) |
| **Comprehensive income/(loss) attributable to shareholders** | **(743)** | **286** | **(457)** | **2,091** | **(1,846)** | **(212)** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 2Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 2,658 | 109,342 | 112,000 | 799 | 1,250 | 114,049 |
| Interest-bearing deposits with banks | 3,388 | 965 | 4,353 | 5 | (3,538) | 820 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 86,062 | 36,374 | 122,436 | 0 | (368) | 122,068 |
| Securities received as collateral | 24,131 | 1,862 | 25,993 | 0 | 0 | 25,993 |
| Trading assets | 50,675 | 127,058 | 177,733 | 0 | (114) | 177,619 |
| Investment securities | 544 | 1,692 | 2,236 | 3,809 | (3,434) | 2,611 |
| Other investments | 1,288 | 4,597 | 5,885 | 47,606 | (47,342) | 6,149 |
| Net loans | 13,382 | 243,131 | 256,513 | 124 | 17,198 | 273,835 |
| Premises and equipment | 916 | 3,580 | 4,496 | 0 | 197 | 4,693 |
| Goodwill | 720 | 3,152 | 3,872 | 0 | 873 | 4,745 |
| Other intangible assets | 151 | 40 | 191 | 0 | 0 | 191 |
| Brokerage receivables | 20,021 | 22,085 | 42,106 | 0 | 2 | 42,108 |
| Other assets | 14,073 | 32,116 | 46,189 | 280 | (186) | 46,283 |
| **Total assets** | **218,009** | **585,994** | **804,003** | **52,623** | **(35,462)** | **821,164** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 141 | 23,555 | 23,696 | 2,496 | (2,963) | 23,229 |
| Customer deposits | 0 | 336,063 | 336,063 | 0 | 11,496 | 347,559 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 55,271 | (22,772) | 32,499 | 0 | 0 | 32,499 |
| Obligation to return securities received as collateral | 24,131 | 1,862 | 25,993 | 0 | 0 | 25,993 |
| Trading liabilities | 11,289 | 40,403 | 51,692 | 0 | (10) | 51,682 |
| Short-term borrowings | 42,265 | (31,087) | 11,178 | 300 | (300) | 11,178 |
| Long-term debt | 22,860 | 171,743 | 194,603 | 4,676 | 947 | 200,226 |
| Brokerage payables | 31,105 | 12,839 | 43,944 | 0 | 0 | 43,944 |
| Other liabilities | 12,507 | 26,829 | 39,336 | 189 | 0 | 39,525 |
| **Total liabilities** | **199,569** | **559,435** | **759,004** | **7,661** | **9,170** | **775,835** |
| **Total shareholders' equity** | **18,532** | **25,465** | **43,997** | **44,962** | **(43,997)** | **44,962** |
| Noncontrolling interests | (92) | 1,094 | 1,002 | 0 | (635) | 367 |
| **Total equity** | **18,440** | **26,559** | **44,999** | **44,962** | **(44,632)** | **45,329** |
| **Total liabilities and equity** | **218,009** | **585,994** | **804,003** | **52,623** | **(35,462)** | **821,164** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets (continued)

| end of 4Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 5,799 | 84,722 | 90,521 | 942 | 865 | 92,328 |
| Interest-bearing deposits with banks | 70 | 4,883 | 4,953 | 5 | (4,091) | 867 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 105,469 | 17,967 | 123,436 | 0 | (387) | 123,049 |
| Securities received as collateral | 27,274 | 1,237 | 28,511 | 0 | 0 | 28,511 |
| Trading assets | 59,332 | 131,764 | 191,096 | 0 | (359) | 190,737 |
| Investment securities | 1,009 | 1,689 | 2,698 | 4,092 | (3,700) | 3,090 |
| Other investments | 3,080 | 3,707 | 6,787 | 46,795 | (46,561) | 7,021 |
| Net loans | 15,433 | 239,482 | 254,915 | 139 | 17,941 | 272,995 |
| Premises and equipment | 899 | 3,540 | 4,439 | 0 | 205 | 4,644 |
| Goodwill | 731 | 3,198 | 3,929 | 0 | 879 | 4,808 |
| Other intangible assets | 152 | 44 | 196 | 0 | 0 | 196 |
| Brokerage receivables | 17,630 | 16,910 | 34,540 | 0 | 2 | 34,542 |
| Other assets | 26,842 | 31,068 | 57,910 | 228 | (121) | 58,017 |
| **Total assets** | **263,720** | **540,211** | **803,931** | **52,201** | **(35,327)** | **820,805** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 62 | 21,398 | 21,460 | 2,152 | (2,558) | 21,054 |
| Customer deposits | 1 | 331,699 | 331,700 | 0 | 11,005 | 342,705 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 77,028 | (30,430) | 46,598 | 0 | 0 | 46,598 |
| Obligation to return securities received as collateral | 27,274 | 1,237 | 28,511 | 0 | 0 | 28,511 |
| Trading liabilities | 11,097 | 37,957 | 49,054 | 0 | (83) | 48,971 |
| Short-term borrowings | 45,480 | (36,823) | 8,657 | 300 | (300) | 8,657 |
| Long-term debt | 39,127 | 152,967 | 192,094 | 5,025 | 489 | 197,608 |
| Brokerage payables | 28,399 | 11,053 | 39,452 | 0 | 0 | 39,452 |
| Other liabilities | 15,615 | 26,100 | 41,715 | 342 | 174 | 42,231 |
| **Total liabilities** | **244,083** | **515,158** | **759,241** | **7,819** | **8,727** | **775,787** |
| **Total shareholders' equity** | **19,396** | **24,010** | **43,406** | **44,382** | **(43,406)** | **44,382** |
| Noncontrolling interests | 241 | 1,043 | 1,284 | 0 | (648) | 636 |
| **Total equity** | **19,637** | **25,053** | **44,690** | **44,382** | **(44,054)** | **45,018** |
| **Total liabilities and equity** | **263,720** | **540,211** | **803,931** | **52,201** | **(35,327)** | **820,805** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of cash flows

| in 6M16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **6,911** | **2,896** | **9,807** | **(35)** [2] | **62** | **9,834** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (3,345) | 3,954 | 609 | 0 | (553) | 56 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 11,075 | (10,271) | 804 | 0 | (18) | 786 |
| Purchase of investment securities | 0 | (60) | (60) | 0 | 0 | (60) |
| Proceeds from sale of investment securities | 0 | 9 | 9 | 0 | 0 | 9 |
| Maturities of investment securities | 138 | 53 | 191 | 0 | 22 | 213 |
| Investments in subsidiaries and other investments | (152) | (210) | (362) | (710) | 694 | (378) |
| Proceeds from sale of other investments | 1,456 | (873) | 583 | 0 | 8 | 591 |
| (Increase)/decrease in loans | 1,839 | (4,665) | (2,826) | 15 | 728 | (2,083) |
| Proceeds from sales of loans | 0 | 415 | 415 | 0 | 0 | 415 |
| Capital expenditures for premises and equipment and other intangible assets | (158) | (422) | (580) | 0 | (2) | (582) |
| Proceeds from sale of premises and equipment and other intangible assets | 49 | 4 | 53 | 0 | 0 | 53 |
| Other, net | 7 | 44 | 51 | 2 | (2) | 51 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **10,909** | **(12,022)** | **(1,113)** | **(693)** | **877** | **(929)** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | 80 | 8,268 | 8,348 | 344 | 80 | 8,772 |
| Increase/(decrease) in short-term borrowings | 2,495 | 554 | 3,049 | 0 | 0 | 3,049 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (20,758) | 7,136 | (13,622) | 0 | 0 | (13,622) |
| Issuances of long-term debt | 0 | 35,441 | 35,441 | 0 | 236 | 35,677 |
| Repayments of long-term debt | (2,394) | (18,118) | (20,512) | 0 | (206) | (20,718) |
| Issuances of common shares | 0 | 0 | 0 | 725 | 0 | 725 |
| Sale of treasury shares | 0 | 0 | 0 | 323 | 8,835 | 9,158 |
| Repurchase of treasury shares | 0 | 0 | 0 | (455) | (8,846) | (9,301) |
| Dividends paid | 0 | (10) | (10) | (493) | 10 | (493) |
| Other, net | (319) | 869 | 550 | 153 | (662) | 41 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(20,896)** | **34,140** | **13,244** | **597** | **(553)** | **13,288** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(65)** | **(394)** | **(459)** | **(12)** | **(1)** | **(472)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **(3,141)** | **24,620** | **21,479** | **(143)** | **385** | **21,721** |
| Cash and due from banks at beginning of period | 5,799 | 84,722 | 90,521 | 942 | 865 | 92,328 |
| **Cash and due from banks at end of period** | **2,658** | **109,342** | **112,000** | **799** | **1,250** | **114,049** |

[1] Includes eliminations and consolidation adjustments.

[2] Consists of dividend payments from Group companies of CHF 145 million and CHF 41 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

## Condensed consolidating statements of cash flows (continued)

| in 6M15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **4,489** | **(1,415)** | **3,074** | **(80)** [2] | **(215)** | **2,779** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | – | (91) | (91) | (5) | 401 | 305 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 14,240 | 1,417 | 15,657 | 0 | 397 | 16,054 |
| Purchase of investment securities | 0 | (272) | (272) | 0 | 0 | (272) |
| Proceeds from sale of investment securities | 0 | 14 | 14 | 0 | 0 | 14 |
| Maturities of investment securities | 10 | 322 | 332 | 0 | 10 | 342 |
| Investments in subsidiaries and other investments | (245) | (63) | (308) | 0 | (27) | (335) |
| Proceeds from sale of other investments | 792 | 128 | 920 | 0 | 31 | 951 |
| (Increase)/decrease in loans | 1,886 | (5,085) | (3,199) | 210 | (688) | (3,677) |
| Proceeds from sales of loans | 0 | 1,018 | 1,018 | 0 | 0 | 1,018 |
| Capital expenditures for premises and equipment and other intangible assets | (120) | (348) | (468) | 0 | (6) | (474) |
| Proceeds from sale of premises and equipment and other intangible assets | 2 | 9 | 11 | 0 | 0 | 11 |
| Other, net | 13 | 179 | 192 | 6 | (3) | 195 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **16,578** | **(2,772)** | **13,806** | **211** | **115** | **14,132** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | 44 | 983 | 1,027 | (161) | 199 | 1,065 |
| Increase/(decrease) in short-term borrowings | 3,865 | (2,755) | 1,110 | 0 | 0 | 1,110 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (15,728) | 7,855 | (7,873) | 0 | 0 | (7,873) |
| Issuances of long-term debt | 2,199 | 44,756 | 46,955 | 0 | 548 | 47,503 |
| Repayments of long-term debt | (8,682) | (20,638) | (29,320) | (30) | (215) | (29,565) |
| Issuances of common shares | 0 | 0 | 0 | 1 | 0 | 1 |
| Sale of treasury shares | 0 | 0 | 0 | 3 | 7,432 | 7,435 |
| Repurchase of treasury shares | 0 | 0 | 0 | (1,004) | (7,381) | (8,385) |
| Dividends paid | 0 | (10) | (10) | (415) | (2) | (427) |
| Other, net | (588) | (420) | (1,008) | 1,217 | 175 | 384 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(18,890)** | **29,771** | **10,881** | **(389)** | **756** | **11,248** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(302)** | **(3,101)** | **(3,403)** | **(48)** | **(3)** | **(3,454)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **1,875** | **22,483** | **24,358** | **(306)** | **653** | **24,705** |
| Cash and due from banks at beginning of period | 4,950 | 73,050 | 78,000 | 917 | 432 | 79,349 |
| **Cash and due from banks at end of period** | **6,825** | **95,533** | **102,358** | **611** | **1,085** | **104,054** |

[1] Includes eliminations and consolidation adjustments.

[2] Consists of dividend payments from Group companies of CHF 220 million and CHF 31 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

# List of abbreviations

| | |
|---|---|
| **A** | |
| ABS | Asset-backed securities |
| ADS | American Depositary Share |
| AMF | Asset Management Finance LLC |
| AOCI | Accumulated other comprehensive income/(loss) |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Update |
| **B** | |
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| bp | Basis point |
| **C** | |
| CCA | Contingent Capital Awards |
| CCP | Central Counterparty |
| CDO | Collateralized debt obligation |
| CDS | Credit default swaps |
| CET1 | Common equity tier 1 |
| CFE | Collateralized financing entity |
| CFTC | Commodity Futures Trading Commission |
| CMBS | Commercial mortgage-backed securities |
| COO | Chief Operating Officer |
| CP | Commercial paper |
| CPR | Constant prepayment rate |
| CSS LLC | Credit Suisse Securities (USA) LLC |
| CVA | Credit valuation adjustment |
| **E** | |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| ECB | European Central Bank |
| EMEA | Europe, Middle East and Africa |
| EMIR | European Market Infrastructure Regulation |
| ESMA | European Securities and Markets Authority |
| EU | European Union |
| **F** | |
| FASB | Financial Accounting Standards Board |
| Fed | US Federal Reserve |
| FINMA | Swiss Financial Market Supervisory Authority FINMA |
| FSB | Financial Stability Board |
| **G** | |
| G-SIB | Global Systemically Important Bank |
| **H** | |
| HNWI | High-net-worth individual |
| **I** | |
| IPO | Initial public offering |
| ISDA | International Swaps and Derivatives Association |
| **L** | |
| LCR | Liquidity coverage ratio |
| **M** | |
| MiFID II | Revised Markets in Financial Instruments Directive |
| M&A | Mergers and acquisitions |
| **N** | |
| NAV | Net asset value |
| NRV | Negative replacement value |
| NSFR | Net stable funding ratio |
| **O** | |
| OTC | Over-the-counter |
| **P** | |
| PRV | Positive replacement value |
| PSA | Prepayment speed assumption |
| **Q** | |
| QoQ | Quarter on quarter |
| **R** | |
| RMBS | Residential mortgage-backed securities |
| RWA | Risk-weighted assets |
| **S** | |
| SBS | Security-based swap |
| SCNY | Supreme Court for the State of New York, New York County |
| SDNY | US District Court for the Southern District of New York |
| SEC | US Securities and Exchange Commission |
| SEI | Significant economic interest |
| SNB | Swiss National Bank |
| SPE | Special purpose entity |
| SPIA | Single premium immediate annuity |
| **T** | |
| TRS | Total return swap |
| **U** | |
| UK | United Kingdom |
| UHNWI | Ultra-high-net-worth individual |
| US | United States of America |
| US GAAP | US generally accepted accounting principles |
| **V** | |
| VaR | Value-at-risk |
| VDAX | Deutsche Börse AG DAX Volatility Index |
| VIE | Variable interest entity |
| VIX | Chicago Board Options Exchange Market Volatility Index |
| **Y** | |
| YoY | Year on year |
| Ytd | Year to date |

# Investor information

## Share data

| in / end of | 6M16 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| **Share price (common shares, CHF)** | | | | |
| Average | 14.54 | 23.85 | 26.52 | 26.74 |
| Minimum | 10.20 | 18.22 | 23.77 | 22.90 |
| Maximum | 21.31 | 27.89 | 30.08 | 30.29 |
| End of period | 10.31 | 21.69 | 25.08 | 27.27 |
| **Share price (American Depositary Shares, USD)** | | | | |
| Average | 14.73 | 25.43 | 28.98 | 28.85 |
| Minimum | 10.50 | 20.48 | 24.84 | 24.56 |
| Maximum | 21.36 | 29.69 | 33.19 | 33.84 |
| End of period | 10.70 | 21.69 | 25.08 | 30.84 |
| **Market capitalization** | | | | |
| Market capitalization (CHF million) | 21,547 | 42,456 | 40,308 | 43,526 |
| Market capitalization (USD million) | 22,362 | 42,456 | 40,308 | 49,224 |
| **Dividend per share (CHF)** | | | | |
| Dividend per share | – | 0.70 [1] | 0.70 [1] | 0.70 [1] |

[1] Paid out of capital contribution reserves.

## Ticker symbols / stock exchange listings

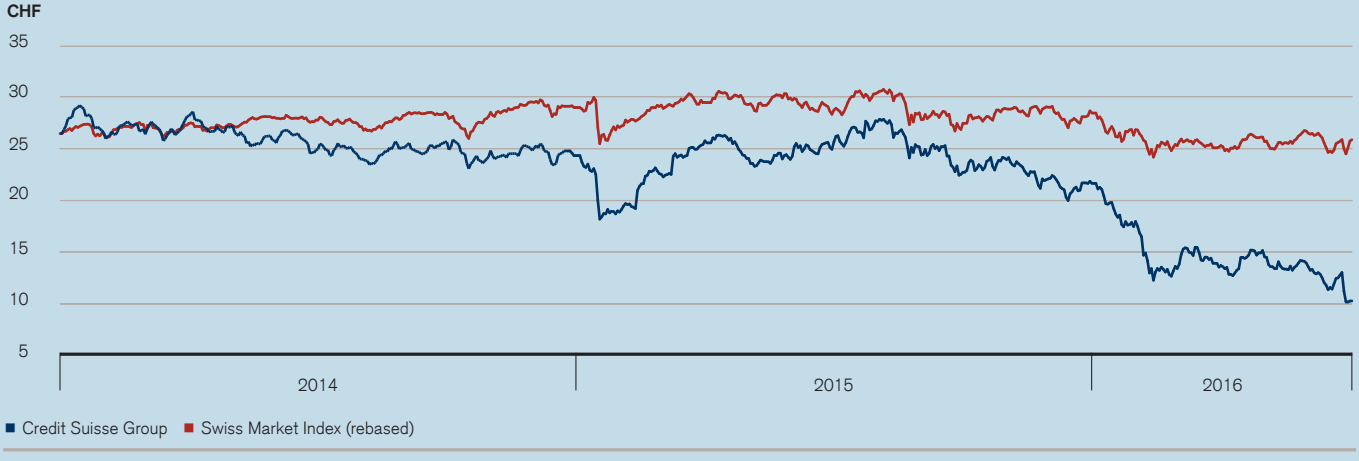
| | Common shares | ADS [1] |
|---|---|---|
| **Ticker symbols** | | |
| SIX Financial Information | CSGN | – |
| Bloomberg | CSGN VX | CS US |
| Reuters | CSGN.VX | CS.N |
| **Stock exchange listings** | | |
| Swiss security number | 1213853 | 570660 |
| ISIN number | CH0012138530 | US2254011081 |
| CUSIP number | – | 225 401 108 |

[1] One American Depositary Share (ADS) represents one common share.

## Bond ratings

| as of July 27, 2016 | Moody's | Standard & Poor's | Fitch Ratings |
|---|---|---|---|
| **Credit Suisse Group ratings** | | | |
| Short-term | – | – | F2 |
| Long-term | Baa3 | BBB+ | A- |
| Outlook | Stable | Stable | Stable |
| **Credit Suisse (the Bank) ratings** | | | |
| Short-term | P-1 | A-1 | F1 |
| Long-term | A2 | A | A |
| Outlook | Stable | Stable | Stable |

## Share performance



# Financial calendar and contacts

| Financial calendar | |
|---|---|
| Third quarter results 2016 | Thursday, November 3, 2016 |

| Investor relations | |
|---|---|
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| Internet | www.credit-suisse.com/investors |

| Media relations | |
|---|---|
| Phone | +41 844 33 88 44 |
| E-mail | media.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/news |

| Additional information | |
|---|---|
| Results and financial information | www.credit-suisse.com/results |
| Printed copies | Credit Suisse AG |
| | GCPD 1 |
| | 8070 Zurich |
| | Switzerland |

| US share register and transfer agent | |
|---|---|
| | Deutsche Bank |
| ADS depositary bank | Trust Company Americas |
| Address | American Stock Transfer & Trust Co. |
| | Operations Center |
| | 6201 15th Avenue |
| | Brooklyn, NY 11219 |
| | United States |
| US and Canada phone | +1 866 249 2593 |
| Phone from outside US and Canada | +1 718 921 8124 |
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| Swiss share register and transfer agent | |
|---|---|
| Address | Credit Suisse Group AG |
| | Share Register RXS |
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| | Switzerland |
| Phone | +41 44 332 02 02 |
| E-mail | share.register@credit-suisse.com |

## Foreign currency translation rates

| | End of | | | | Average in | | | | Average in |
|---|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 4Q15 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **6M16** | 6M15 |
| 1 USD / CHF | 0.97 | 0.96 | 0.99 | 0.93 | 0.97 | 1.00 | 0.94 | 0.99 | 0.95 |
| 1 EUR / CHF | 1.08 | 1.09 | 1.08 | 1.04 | 1.10 | 1.09 | 1.04 | 1.09 | 1.06 |
| 1 GBP / CHF | 1.30 | 1.38 | 1.47 | 1.47 | 1.40 | 1.42 | 1.45 | 1.41 | 1.45 |
| 100 JPY / CHF | 0.95 | 0.85 | 0.82 | 0.76 | 0.90 | 0.86 | 0.78 | 0.88 | 0.79 |

**Cautionary statement regarding forward-looking information**

This report contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in "Risk factors" in I – Information on the company in our Annual Report 2015.

## CREDIT SUISSE ANNUAL REPORTING SUITE




Our 2015 annual publication suite consisting of Annual Report and Corporate Responsibility Report, which also contains the Company Profile, is available on our website www.credit-suisse.com/investors.

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CREDIT SUISSE

# Financial Statements

Credit Suisse (Bank)

6M16

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Report of Independent Registered Public Accounting Firm to the Board of Directors of

**Credit Suisse AG, Zurich**

We have reviewed the accompanying condensed consolidated balance sheet of Credit Suisse AG and subsidiaries (the "Bank") as of June 30, 2016 and the related condensed consolidated statements of operations, changes in equity, comprehensive income and cash flows for the six-month periods ended June 30, 2016 and 2015. These condensed consolidated financial statements are the responsibility of the Bank's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Bank as of December 31, 2015, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated March 24, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG AG

Nicholas Edmonds
*Licensed Audit Expert*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
July 28, 2016

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# Credit Suisse (Bank)
# Condensed consolidated financial statements – unaudited

## Consolidated statements of operations (unaudited)

| | 6M16 | 6M15 |
|---|---|---|
| **Consolidated statements of operations (CHF million)** | | |
| Interest and dividend income | 9,114 | 10,146 |
| Interest expense | (5,293) | (5,327) |
| Net interest income | 3,821 | 4,819 |
| Commissions and fees | 5,332 | 6,132 |
| Trading revenues | (309) | 1,898 |
| Other revenues | 485 | 496 |
| **Net revenues** | **9,329** | **13,345** |
| **Provision for credit losses** | **107** | **58** |
| Compensation and benefits | 5,253 | 5,865 |
| General and administrative expenses | 3,621 | 3,700 |
| Commission expenses | 733 | 793 |
| Restructuring expenses | 318 | – |
| Total other operating expenses | 4,672 | 4,493 |
| **Total operating expenses** | **9,925** | **10,358** |
| **Income/(loss) before taxes** | **(703)** | **2,929** |
| Income tax expense/(benefit) | (293) | 1,012 |
| **Net income/(loss)** | **(410)** | **1,917** |
| Net income/(loss) attributable to noncontrolling interests | 2 | (1) |
| **Net income/(loss) attributable to shareholder** | **(412)** | **1,918** |

## Consolidated statements of comprehensive income (unaudited)

| in | 6M16 | 6M15 |
|---|---|---|
| **Comprehensive income/(loss) (CHF million)** | | |
| Net income/(loss) | (410) | 1,917 |
| Gains/(losses) on cash flow hedges | 68 | 52 |
| Foreign currency translation | (504) | (2,542) |
| Unrealized gains/(losses) on securities | 5 | (5) |
| Actuarial gains/(losses) | 20 | 34 |
| Net prior service credit/(cost) | 0 | (7) |
| Gains/(losses) on liabilities related to credit risk | 1,042 | – |
| Other comprehensive income/(loss), net of tax | 631 | (2,468) |
| **Comprehensive income/(loss)** | **221** | **(551)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (12) | (94) |
| **Comprehensive income/(loss) attributable to shareholder** | **233** | **(457)** |

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets (unaudited)

| | 6M16 | 2015 |
|---|---|---|
| **Assets (CHF million)** | | |
| Cash and due from banks | 112,000 | 90,521 |
| of which reported at fair value | 318 | 89 |
| of which reported from consolidated VIEs | 489 | 1,693 |
| Interest-bearing deposits with banks | 4,353 | 4,953 |
| of which reported at fair value | 0 | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 122,436 | 123,436 |
| of which reported at fair value | 79,927 | 83,565 |
| of which reported from consolidated VIEs | 0 | 53 |
| Securities received as collateral, at fair value | 25,993 | 28,511 |
| of which encumbered | 22,046 | 27,940 |
| Trading assets, at fair value | 177,733 | 191,096 |
| of which encumbered | 58,393 | 62,559 |
| of which reported from consolidated VIEs | 3,475 | 2,372 |
| Investment securities | 2,236 | 2,698 |
| of which reported at fair value | 2,236 | 2,698 |
| of which reported from consolidated VIEs | 544 | 1,009 |
| Other investments | 5,885 | 6,787 |
| of which reported at fair value | 3,577 | 4,227 |
| of which reported from consolidated VIEs | 1,955 | 1,986 |
| Net loans | 256,513 | 254,915 |
| of which reported at fair value | 20,831 | 20,820 |
| of which encumbered | 111 | 108 |
| of which reported from consolidated VIEs | 360 | 1,312 |
| allowance for loan losses | (734) | (724) |
| Premises and equipment | 4,496 | 4,439 |
| of which reported from consolidated VIEs | 256 | 299 |
| Goodwill | 3,872 | 3,929 |
| Other intangible assets | 191 | 196 |
| of which reported at fair value | 111 | 112 |
| Brokerage receivables | 42,106 | 34,540 |
| Other assets | 46,189 | 57,910 |
| of which reported at fair value | 13,439 | 25,626 |
| of which encumbered | 50 | 671 |
| of which reported from consolidated VIEs | 2,501 | 14,450 |
| **Total assets** | **804,003** | **803,931** |

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets (unaudited) (continued)

| | 6M16 | 2015 |
|---|---|---|
| **Liabilities and equity (CHF million)** | | |
| Due to banks | 23,696 | 21,460 |
| of which reported at fair value | 523 | 490 |
| Customer deposits | 336,063 | 331,700 |
| of which reported at fair value | 3,899 | 3,656 |
| of which reported from consolidated VIEs | 0 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 32,499 | 46,598 |
| of which reported at fair value | 18,114 | 32,398 |
| Obligation to return securities received as collateral, at fair value | 25,993 | 28,511 |
| Trading liabilities, at fair value | 51,692 | 49,054 |
| of which reported from consolidated VIEs | 137 | 27 |
| Short-term borrowings | 11,178 | 8,657 |
| of which reported at fair value | 2,996 | 3,112 |
| of which reported from consolidated VIEs | 1 | 81 |
| Long-term debt | 194,603 | 192,094 |
| of which reported at fair value | 73,070 | 80,002 |
| of which reported from consolidated VIEs | 1,780 | 14,826 |
| Brokerage payables | 43,944 | 39,452 |
| Other liabilities | 39,336 | 41,715 |
| of which reported at fair value | 10,097 | 11,745 |
| of which reported from consolidated VIEs | 239 | 835 |
| **Total liabilities** | **759,004** | **759,241** |
| Common shares | 4,400 | 4,400 |
| Additional paid-in capital | 40,251 | 39,883 |
| Retained earnings | 11,540 | 12,427 |
| Accumulated other comprehensive income/(loss) | (12,194) | (13,304) |
| **Total shareholder's equity** | **43,997** | **43,406** |
| Noncontrolling interests | 1,002 | 1,284 |
| **Total equity** | **44,999** | **44,690** |
| **Total liabilities and equity** | **804,003** | **803,931** |

| end of | 6M16 | 2015 |
|---|---|---|
| **Additional share information** | | |
| Par value (CHF) | 1.00 | 1.00 |
| Issued shares | 4,399,680,200 | 4,399,680,200 |
| Shares outstanding | 4,399,680,200 | 4,399,680,200 |

The Bank's total share capital is fully paid and consists of 4,399,680,200 registered shares as of June 30, 2016. Each share is entitled to one vote. The Bank has no warrants on its own shares outstanding.

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited)

| | Attributable to shareholder | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost [1] | Accumulated other comprehensive income/ (loss) | **Total shareholder's equity** | Non-controlling interests | **Total equity** |
| **6M16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **39,883** | **12,427** | **0** | **(13,304)** | **43,406** | **1,284** | **44,690** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [2, 3] | – | – | – | – | – | – | (65) | (65) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [3] | – | – | – | – | – | – | 79 | 79 |
| Net income/(loss) | – | – | (412) | – | – | (412) | 2 | (410) |
| Cumulative effect of accounting changes, net of tax | – | – | (465) | – | 465 | – | – | – |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 645 | 645 | (14) | 631 |
| Share-based compensation, net of tax | – | (295) [4] | – | – | – | (295) | – | (295) |
| Dividends on share-based compensation, net of tax | – | (40) | – | – | – | (40) | – | (40) |
| Dividends paid | – | – | (10) | – | – | (10) | – | (10) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (255) | (255) |
| Other | – | 703 | – | – | – | 703 | (29) | 674 |
| **Balance at end of period** | **4,400** | **40,251** | **11,540** | **0** | **(12,194)** | **43,997** | **1,002** | **44,999** |
| **6M15 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **34,842** | **15,877** | **0** | **(12,224)** | **42,895** | **1,746** | **44,641** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (239) | (239) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 46 | 46 |
| Net income/(loss) | – | – | 1,918 | – | – | 1,918 | (1) | 1,917 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (2,375) | (2,375) | (93) | (2,468) |
| Share-based compensation, net of tax | – | (967) | – | – | – | (967) | (1) | (968) |
| Dividends on share-based compensation, net of tax | – | (12) | – | – | – | (12) | – | (12) |
| Dividends paid | – | – | (80) | – | – | (80) | – | (80) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | 6 | 6 |
| Other | – | – | – | – | – | – | (2) | (2) |
| **Balance at end of period** | **4,400** | **33,863** | **17,715** | **0** | **(14,599)** | **41,379** | **1,462** | **42,841** |

[1] Reflects Credit Suisse Group shares which are reported as treasury shares. Those shares are held to economically hedge share award obligations.
[2] Distributions to owners in funds include the return of original capital invested and any related dividends.
[3] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[4] Includes a net tax charge of CHF (125) million from the excess recognized compensation expense over fair value of shares delivered.

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flows (unaudited)

| in | 6M16 | 6M15 |
|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | |
| **Net income/(loss)** | **(410)** | **1,917** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | |
| Impairment, depreciation and amortization | 465 | 516 |
| Provision for credit losses | 107 | 58 |
| Deferred tax provision/(benefit) | (449) | 682 |
| Share of net income/(loss) from equity method investments | 61 | (29) |
| Trading assets and liabilities, net | 15,249 | 12,675 |
| (Increase)/decrease in other assets | (9,290) | (8,235) |
| Increase/(decrease) in other liabilities | 4,318 | (4,871) |
| Other, net | (244) | 361 |
| Total adjustments | 10,217 | 1,157 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **9,807** | **3,074** |
| **Investing activities of continuing operations (CHF million)** | | |
| (Increase)/decrease in interest-bearing deposits with banks | 609 | (91) |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 804 | 15,657 |
| Purchase of investment securities | (60) | (272) |
| Proceeds from sale of investment securities | 9 | 14 |
| Maturities of investment securities | 191 | 332 |
| Investments in subsidiaries and other investments | (362) | (308) |
| Proceeds from sale of other investments | 583 | 920 |
| (Increase)/decrease in loans | (2,826) | (3,199) |
| Proceeds from sales of loans | 415 | 1,018 |
| Capital expenditures for premises and equipment and other intangible assets | (580) | (468) |
| Proceeds from sale of premises and equipment and other intangible assets | 53 | 11 |
| Other, net | 51 | 192 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **(1,113)** | **13,806** |

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flows (unaudited) (continued)

| in | 6M16 | 6M15 |
|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | |
| Increase/(decrease) in due to banks and customer deposits | 8,348 | 1,027 |
| Increase/(decrease) in short-term borrowings | 3,049 | 1,110 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (13,622) | (7,873) |
| Issuances of long-term debt | 35,441 | 46,955 |
| Repayments of long-term debt | (20,512) | (29,320) |
| Dividends paid | (10) | (10) |
| Other, net | 550 | (1,008) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **13,244** | **10,881** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | |
| **Effect of exchange rate changes on cash and due from banks** | **(459)** | **(3,403)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | |
| **Net increase/(decrease) in cash and due from banks** | **21,479** | **24,358** |
| Cash and due from banks at beginning of period | 90,521 | 78,000 |
| **Cash and due from banks at end of period** | **112,000** | **102,358** |

## Supplemental cash flow information (unaudited)

| in | 6M16 | 6M15 |
|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | |
| Cash paid for income taxes | 186 | 632 |
| Cash paid for interest | 5,032 | 5,555 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | |
| Fair value of assets acquired | 0 | 2 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | |
| Assets sold | 0 | 34 |
| Liabilities sold | 0 | 7 |

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

# Notes to the condensed consolidated financial statements – unaudited

## 1 Summary of significant accounting policies

**Basis of presentation**

The accompanying unaudited condensed consolidated financial statements of Credit Suisse AG (the Bank) are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and are stated in Swiss francs (CHF). These condensed consolidated financial statements should be read in conjunction with the US GAAP consolidated financial statements and notes thereto for the year ended December 31, 2015, included in the Credit Suisse Group AG & Credit Suisse AG Annual Report 2015 (Credit Suisse Annual Report 2015).

▸ Refer to "Note 1 – Summary of significant accounting policies" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for a description of the Bank's significant accounting policies.

Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with US GAAP but not required for interim reporting purposes has been condensed or omitted. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current period's presentation. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the periods presented. The results of operations for interim periods are not indicative of results for the entire year.

In preparing these condensed consolidated financial statements, management is required to make estimates and assumptions, which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2 Recently issued accounting standards

▸ Refer to "Note 2 – Recently issued accounting standards" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for a complete description of recently adopted accounting standards.

▸ Refer to "Note 2 – Recently issued accounting standards" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 for the most recently adopted accounting standards and standards to be adopted in future periods.

The impact on the Bank's and Group's financial condition, results of operations or cash flows was or is expected to be identical.

## 3 Business developments

▸ Refer to "Note 3 – Business developments" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 for further information.

## 4 Discontinued operations

There were no operations that were discontinued in 6M16 or 2015.

▸ Refer to "Note 4 – Discontinued operations" in in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for further information.

## 5 Segment information

▸ Refer to "Note 5 – Segment information" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 for further information.

### Overview

For purpose of presentation of reportable segments, the Bank has included accounts of affiliate entities wholly owned by the same parent which are managed together with the operating segments of the Bank. These affiliate entities include certain bank and trust affiliates, primarily managed by Swiss Universal Bank. Income from continuing operations before taxes of these non-consolidated affiliate entities included in the segment presentation for 6M16 and 6M15 were CHF 122 million and CHF 147 million, respectively. For the same periods, net revenues of these non-consolidated affiliate entities included in the segment presentation were CHF 298 million and CHF 325 million, respectively. Total assets of these non-consolidated affiliate entities included in the segment presentation as of the end of 6M16 and 6M15 were CHF 27.8 billion and CHF 27.6 billion, respectively.

### Net revenues and income before taxes

| in | **6M16** | 6M15 |
|---|---|---|
| **Net revenues (CHF million)** | | |
| Swiss Universal Bank | 2,693 | 2,862 |
| International Wealth Management | 2,318 | 2,286 |
| Asia Pacific | 1,818 | 2,128 |
| Global Markets | 2,875 | 4,077 |
| Investment Banking & Capital Markets | 931 | 967 |
| Strategic Resolution Unit | (904) | 725 |
| Adjustments [1] | (402) | 300 |
| **Net revenues** | **9,329** | **13,345** |
| **Income/(loss) before taxes (CHF million)** | | |
| Swiss Universal Bank | 885 | 911 |
| International Wealth Management | 545 | 550 |
| Asia Pacific | 470 | 832 |
| Global Markets | (44) | 1,118 |
| Investment Banking & Capital Markets | 73 | 98 |
| Strategic Resolution Unit | (2,012) | (554) |
| Adjustments [1] | (620) | (26) |
| **Income/(loss) from continuing operations before taxes** | **(703)** | **2,929** |

[2] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.

### Total assets

| end of | **6M16** | 2015 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Swiss Universal Bank | 224,866 | 220,359 |
| International Wealth Management | 90,156 | 96,085 |
| Asia Pacific | 92,194 | 85,929 |
| Global Markets | 239,419 | 234,276 |
| Investment Banking & Capital Markets | 22,064 | 18,712 |
| Strategic Resolution Unit | 98,058 | 100,823 |
| Adjustments [1] | 37,246 | 47,747 |
| **Total assets** | **804,003** | **803,931** |

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.

## 6 Net interest income

| in | 6M16 | 6M15 |
|---|---|---|
| **Net interest income (CHF million)** | | |
| Loans | 2,547 | 2,400 |
| Investment securities | 32 | 29 |
| Trading assets | 4,378 | 5,282 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,413 | 1,328 |
| Other | 744 | 1,107 |
| Interest and dividend income | 9,114 | 10,146 |
| Deposits | (492) | (466) |
| Short-term borrowings | (38) | (62) |
| Trading liabilities | (2,226) | (2,307) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (753) | (640) |
| Long-term debt | (1,684) | (1,745) |
| Other | (100) | (107) |
| Interest expense | (5,293) | (5,327) |
| **Net interest income** | **3,821** | **4,819** |

## 7 Commissions and fees

| in | 6M16 | 6M15 |
|---|---|---|
| **Commissions and fees (CHF million)** | | |
| Lending business | 823 | 705 |
| Investment and portfolio management | 1,497 | 1,640 |
| Other securities business | 26 | 43 |
| Fiduciary business | 1,523 | 1,683 |
| Underwriting | 617 | 932 |
| Brokerage | 1,576 | 1,967 |
| Underwriting and brokerage | 2,193 | 2,899 |
| Other services | 793 | 845 |
| **Commissions and fees** | **5,332** | **6,132** |

## 8 Trading revenues

| in | 6M16 | 6M15 |
|---|---|---|
| **Trading revenues (CHF million)** | | |
| Interest rate products | 4,595 | 4,164 |
| Foreign exchange products | (2,149) | (514) |
| Equity/index-related products | (2,097) | (1,275) |
| Credit products | (1,268) | (460) |
| Commodity, emission and energy products | 13 | 18 |
| Other products | 597 | (35) |
| **Total** | **(309)** | **1,898** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

## 9 Other revenues

| in | 6M16 | 6M15 |
|---|---|---|
| **Other revenues (CHF million)** | | |
| Noncontrolling interests without significant economic interest | 0 | (17) |
| Loans held-for-sale | (57) | (27) |
| Long-lived assets held-for-sale | 24 | 2 |
| Equity method investments | 69 | 93 |
| Other investments | 11 | 20 |
| Other | 438 | 425 |
| **Other revenues** | **485** | **496** |

## 10 Provision for credit losses

| in | 6M16 | 6M15 |
|---|---|---|
| **Provision for credit losses (CHF million)** | | |
| Provision for loan losses | 98 | 41 |
| Provision for lending-related and other exposures | 9 | 17 |
| **Provision for credit losses** | **107** | **58** |

## 11 Compensation and benefits

| in | 6M16 | 6M15 |
|---|---|---|
| **Compensation and benefits (CHF million)** | | |
| Salaries and variable compensation | 4,436 | 4,973 |
| Social security | 350 | 456 |
| Other [1] | 467 | 436 |
| **Compensation and benefits** | **5,253** | **5,865** |

[1] Includes pension and other post-retirement expense of CHF 302 million and CHF 274 million in 6M16 and 6M15, respectively.

## 12 General and administrative expenses

| in | 6M16 | 6M15 |
|---|---|---|
| **General and administrative expenses (CHF million)** | | |
| Occupancy expenses | 481 | 484 |
| IT, machinery, etc. | 565 | 607 |
| Provisions and losses | 169 | 203 |
| Travel and entertainment | 163 | 178 |
| Professional services | 1,515 | 1,358 |
| Amortization and impairment of other intangible assets | 4 | 11 |
| Other | 724 | 859 |
| **General and administrative expenses** | **3,621** | **3,700** |

## 13 Restructuring expenses

▸ Refer to "Note 13 – Restructuring expenses" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 for further information.

In connection with the strategic review of the Bank, restructuring expenses of CHF 318 million were recognized in 6M16.

### Restructuring expenses by segment

| in | 6M16 |
|---|---|
| **Restructuring expenses by segment (CHF million)** | |
| Swiss Universal Bank | 44 |
| International Wealth Management | 23 |
| Asia Pacific | 11 |
| Global Markets | 150 |
| Investment Banking & Capital Markets | 19 |
| Strategic Resolution Unit | 99 |
| Adjustments | (28) [1] |
| **Total restructuring expenses** | **318** |

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa.

### Restructuring expenses by type

| in | 6M16 |
|---|---|
| **Restructuring expenses by type (CHF million)** | |
| Compensation and benefits-related expenses | 204 |
| of which severance expenses | 117 |
| of which accelerated deferred compensation | 83 |
| of which pension expenses | 4 |
| General and administrative-related expenses | 114 |
| **Total restructuring expenses** | **318** |

### Restructuring provision

| | 6M16 | | |
|---|---|---|---|
| | Severance expense | General and administrative-related expenses | Total |
| **Restructuring provision (CHF million)** | | | |
| **Balance at beginning of period** | **187** | **12** | **199** |
| Net additional charges | 117 | 114 | 231 [1] |
| Utilization | (116) | (16) | (132) |
| **Balance at end of period** | **188** | **110** | **298** |

[1] The following items for which expense accretion was accelerated in 6M16 due to the restructuring of the Bank are not included in the restructuring provision: unsettled share-based compensation of CHF 6 million, which remain classified as a component of total shareholder's equity; and unsettled cash-based deferred compensation of CHF 81 million, which remains classified as compensation liabilities. The settlement date for the unsettled share-based compensation remains unchanged at three years.

## 14 Trading assets and liabilities

| end of | 6M16 | 2015 |
|---|---|---|
| **Trading assets (CHF million)** | | |
| Debt securities | 66,674 | 80,546 |
| Equity securities | 69,895 | 71,102 |
| Derivative instruments [1] | 29,504 | 28,579 |
| Other | 11,660 | 10,869 |
| **Trading assets** | **177,733** | **191,096** |
| **Trading liabilities (CHF million)** | | |
| Short positions | 24,647 | 25,509 |
| Derivative instruments [1] | 27,045 | 23,545 |
| **Trading liabilities** | **51,692** | **49,054** |

[1] Amounts shown after counterparty and cash collateral netting.

### Cash collateral on derivative instruments

| end of | 6M16 | 2015 |
|---|---|---|
| **Cash collateral – netted (CHF million)** [1] | | |
| Cash collateral paid | 39,759 | 32,127 |
| Cash collateral received | 29,055 | 22,027 |
| **Cash collateral – not netted (CHF million)** [2] | | |
| Cash collateral paid | 10,050 | 7,987 |
| Cash collateral received | 12,776 | 13,991 |

[1] Recorded as cash collateral netting on derivative instruments in Note 21 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 18 – Other assets and other liabilities.

## 15 Investment securities

| end of | 6M16 | 2015 |
|---|---|---|
| **Investment securities (CHF million)** | | |
| Securities available-for-sale | 2,236 | 2,698 |
| **Total investment securities** | **2,236** | **2,698** |

### Investment securities by type

| end of | 6M16 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** |
| **6M16 (CHF million)** | | | | | | | | |
| Debt securities issued by foreign governments | 1,287 | 38 | 0 | 1,325 | 1,292 | 30 | 0 | 1,322 |
| Corporate debt securities | 280 | 0 | 0 | 280 | 281 | 0 | 0 | 281 |
| Residential mortgage-backed securities | 515 | 0 | 0 | 515 | 750 | 0 | 0 | 750 |
| Commercial mortgage-backed securities | 29 | 0 | 0 | 29 | 259 | 0 | 0 | 259 |
| Debt securities available-for-sale | 2,111 | 38 | 0 | 2,149 | 2,582 | 30 | 0 | 2,612 |
| Banks, trust and insurance companies | 66 | 21 | 0 | 87 | 65 | 20 | 0 | 85 |
| Industry and all other | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Equity securities available-for-sale | 66 | 21 | 0 | 87 | 66 | 20 | 0 | 86 |
| **Securities available-for-sale** | **2,177** | **59** | **0** | **2,236** | **2,648** | **50** | **0** | **2,698** |

There were no unrealized losses on investment securities in 6M16 and 6M15. No significant impairment was recorded as the Bank does not intend to sell the investments, nor is it more likely than not that the Bank will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| in | 6M16 | | 6M15 | |
|---|---|---|---|---|
| | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | |
| Proceeds from sales | 8 | 1 | 0 | 14 |
| Realized gains | 0 | 0 | 0 | 1 |

### Amortized cost, fair value and average yield of debt securities

| | Debt securities available-for-sale | | |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **6M16 (CHF million)** | | | |
| Due within 1 year | 269 | 269 | 0.18 |
| Due from 1 to 5 years | 1,298 | 1,336 | 0.80 |
| Due from 5 to 10 years | 0 | 0 | 0.00 |
| Due after 10 years | 544 | 544 | 5.45 |
| **Total debt securities** | **2,111** | **2,149** | **1.92** |

## 16 Loans, allowance for loan losses and credit quality

▸ Refer to "Note 17 – Loans, allowance for loan losses and credit quality" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 and "Note 18 – Loans, allowance for loan losses and credit quality" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for further information.

### Loans

| end of | 6M16 | 2015 |
|---|---|---|
| **Loans (CHF million)** | | |
| Mortgages | 89,695 | 88,566 |
| Loans collateralized by securities | 36,270 | 37,833 |
| Consumer finance | 1,091 | 1,092 |
| Consumer | 127,056 | 127,491 |
| Real estate | 23,193 | 23,561 |
| Commercial and industrial loans | 78,496 | 74,967 |
| Financial institutions | 24,915 | 26,375 |
| Governments and public institutions | 3,790 | 3,445 |
| Corporate & institutional | 130,394 | 128,348 |
| **Gross loans** | **257,450** | **255,839** |
| of which held at amortized cost | 236,619 | 235,019 |
| of which held at fair value | 20,831 | 20,820 |
| Net (unearned income)/deferred expenses | (203) | (200) |
| Allowance for loan losses | (734) | (724) |
| **Net loans** | **256,513** | **254,915** |
| **Gross loans by location (CHF million)** | | |
| Switzerland | 141,030 | 137,729 |
| Foreign | 116,420 | 118,110 |
| **Gross loans** | **257,450** | **255,839** |
| **Impaired loan portfolio (CHF million)** | | |
| Non-performing loans | 1,257 | 810 |
| Non-interest-earning loans | 185 | 251 |
| Total non-performing and non-interest-earning loans | 1,442 | 1,061 |
| Restructured loans | 257 | 282 |
| Potential problem loans | 351 | 373 |
| Total other impaired loans | 608 | 655 |
| **Gross impaired loans** | **2,050** | **1,716** |

## Allowance for loan losses

| | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | |
| **Balance at beginning of period** | **113** | **611** | **724** | **131** | **466** | **597** |
| Net movements recognized in statements of operations | (8) | 106 | 98 | 10 | 31 | 41 |
| Gross write-offs | (15) | (102) | (117) | (44) | (27) | (71) |
| Recoveries | 3 | 29 | 32 | 3 | 9 | 12 |
| Net write-offs | (12) | (73) | (85) | (41) | (18) | (59) |
| Provisions for interest | 5 | 1 | 6 | 3 | 9 | 12 |
| Foreign currency translation impact and other adjustments, net | (4) | (5) | (9) | (4) | (15) | (19) |
| **Balance at end of period** | **94** | **640** | **734** | **99** | **473** | **572** |
| of which individually evaluated for impairment | 69 | 459 | 528 | 73 | 320 | 393 |
| of which collectively evaluated for impairment | 25 | 181 | 206 | 26 | 153 | 179 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | |
| **Balance at end of period** | **127,034** | **109,585** | **236,619** | **126,357** | **107,712** | **234,069** |
| of which individually evaluated for impairment [1] | 479 | 1,571 | 2,050 | 468 | 853 | 1,321 |
| of which collectively evaluated for impairment | 126,555 | 108,014 | 234,569 | 125,889 | 106,859 | 232,748 |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | |
| Purchases [1] | 0 | 1,415 | 1,415 | 231 | 2,348 | 2,579 |
| Reclassifications from loans held-for-sale [2] | 0 | 125 | 125 | 0 | 158 | 158 |
| Reclassifications to loans held-for-sale [3] | 1,632 | 664 | 2,296 | 0 | 373 | 373 |
| Sales [3] | 0 | 30 | 30 | 0 | 214 | 214 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

## Gross loans held at amortized cost by internal counterparty rating

| | Investment grade | Non-investment grade | | |
|---|---|---|---|---|
| end of | Ratings AAA to BBB | Ratings BB to C | Rating D | **Total** |
| **6M16 (CHF million)** | | | | |
| Mortgages | 81,361 | 8,135 | 199 | 89,695 |
| Loans collateralized by securities | 33,295 | 2,857 | 118 | 36,270 |
| Consumer finance | 740 | 237 | 92 | 1,069 |
| Consumer | 115,396 | 11,229 | 409 | 127,034 |
| Real estate | 17,801 | 4,679 | 68 | 22,548 |
| Commercial and industrial loans | 34,160 | 31,335 | 1,076 | 66,571 |
| Financial institutions | 16,977 | 2,474 | 136 | 19,587 |
| Governments and public institutions | 812 | 52 | 15 | 879 |
| Corporate & institutional | 69,750 | 38,540 | 1,295 | 109,585 |
| **Gross loans held at amortized cost** | **185,146** | **49,769** | **1,704** | **236,619** |
| Value of collateral [1] | 164,993 | 42,665 | 941 | 208,599 |
| **2015 (CHF million)** | | | | |
| Mortgages | 79,664 | 8,697 | 205 | 88,566 |
| Loans collateralized by securities | 36,028 | 1,667 | 138 | 37,833 |
| Consumer finance | 743 | 231 | 98 | 1,072 |
| Consumer | 116,435 | 10,595 | 441 | 127,471 |
| Real estate | 17,717 | 4,995 | 77 | 22,789 |
| Commercial and industrial loans | 31,720 | 30,898 | 802 | 63,420 |
| Financial institutions | 17,445 | 2,951 | 149 | 20,545 |
| Governments and public institutions | 691 | 103 | 0 | 794 |
| Corporate & institutional | 67,573 | 38,947 | 1,028 | 107,548 |
| **Gross loans held at amortized cost** | **184,008** | **49,542** | **1,469** | **235,019** |
| Value of collateral [1] | 166,086 | 41,583 | 957 | 208,626 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, the value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Bank's risk management policies and directives, with maximum review periods determined by property type, market liquidity, market transparency and appraisal cost.

## Gross loans held at amortized cost – aging analysis

| | Current | Past due | | | | |
|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31-60 days | 61-90 days | More than 90 days | Total | **Total** |
| **6M16 (CHF million)** | | | | | | | |
| Mortgages | 89,304 | 153 | 21 | 9 | 208 | 391 | 89,695 |
| Loans collateralized by securities | 35,943 | 166 | 28 | 7 | 126 | 327 | 36,270 |
| Consumer finance | 742 | 228 | 9 | 24 | 66 | 327 | 1,069 |
| Consumer | 125,989 | 547 | 58 | 40 | 400 | 1,045 | 127,034 |
| Real estate | 22,401 | 75 | 6 | 0 | 66 | 147 | 22,548 |
| Commercial and industrial loans | 64,820 | 731 | 84 | 223 | 713 | 1,751 | 66,571 |
| Financial institutions | 19,323 | 125 | 13 | 0 | 126 | 264 | 19,587 |
| Governments and public institutions | 873 | 6 | 0 | 0 | 0 | 6 | 879 |
| Corporate & institutional | 107,417 | 937 | 103 | 223 | 905 | 2,168 | 109,585 |
| **Gross loans held at amortized cost** | **233,406** | **1,484** | **161** | **263** | **1,305** | **3,213** | **236,619** |
| **2015 (CHF million)** | | | | | | | |
| Mortgages | 88,326 | 78 | 16 | 8 | 138 | 240 | 88,566 |
| Loans collateralized by securities | 37,476 | 214 | 7 | 1 | 135 | 357 | 37,833 |
| Consumer finance | 875 | 120 | 7 | 19 | 51 | 197 | 1,072 |
| Consumer | 126,677 | 412 | 30 | 28 | 324 | 794 | 127,471 |
| Real estate | 22,708 | 24 | 3 | 0 | 54 | 81 | 22,789 |
| Commercial and industrial loans | 62,379 | 498 | 105 | 68 | 370 | 1,041 | 63,420 |
| Financial institutions | 20,299 | 90 | 45 | 2 | 109 | 246 | 20,545 |
| Governments and public institutions | 793 | 1 | 0 | 0 | 0 | 1 | 794 |
| Corporate & institutional | 106,179 | 613 | 153 | 70 | 533 | 1,369 | 107,548 |
| **Gross loans held at amortized cost** | **232,856** | **1,025** | **183** | **98** | **857** | **2,163** | **235,019** |

## Gross impaired loans by category

| | Non-performing and non-interest earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing | Non-interest-earning | Total | Re-structured | Potential problem | Total | **Total** |
| **6M16 (CHF million)** | | | | | | | |
| Mortgages | 212 | 6 | 218 | 13 | 27 | 40 | 258 [1] |
| Loans collateralized by securities | 122 | 5 | 127 | 0 | 0 | 0 | 127 |
| Consumer finance | 66 | 27 | 93 | 0 | 1 | 1 | 94 |
| Consumer | 400 | 38 | 438 | 13 | 28 | 41 | 479 |
| Real estate | 76 | 4 | 80 | 0 | 4 | 4 | 84 |
| Commercial and industrial loans | 698 | 93 | 791 | 244 | 276 | 520 | 1,311 |
| Financial institutions | 83 | 50 | 133 | 0 | 28 | 28 | 161 |
| Governments and public institutions | 0 | 0 | 0 | 0 | 15 | 15 | 15 |
| Corporate & institutional | 857 | 147 | 1,004 | 244 | 323 | 567 | 1,571 |
| **Gross impaired loans** | **1,257** | **185** | **1,442** | **257** | **351** | **608** | **2,050** |
| **2015 (CHF million)** | | | | | | | |
| Mortgages | 173 | 13 | 186 | 18 | 25 | 43 | 229 [1] |
| Loans collateralized by securities | 108 | 27 | 135 | 0 | 3 | 3 | 138 |
| Consumer finance | 77 | 23 | 100 | 0 | 1 | 1 | 101 |
| Consumer | 358 | 63 | 421 | 18 | 29 | 47 | 468 |
| Real estate | 51 | 19 | 70 | 0 | 11 | 11 | 81 |
| Commercial and industrial loans | 314 | 119 | 433 | 263 | 298 | 561 | 994 |
| Financial institutions | 87 | 50 | 137 | 1 | 35 | 36 | 173 |
| Corporate & institutional | 452 | 188 | 640 | 264 | 344 | 608 | 1,248 |
| **Gross impaired loans** | **810** | **251** | **1,061** | **282** | **373** | **655** | **1,716** |

[1] As of 6M16 and 2015, CHF 58 million and CHF 57 million, respectively, were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

## Gross impaired loan detail

| end of | 6M16 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 157 | 145 | 15 | 163 | 153 | 19 |
| Loans collateralized by securities | 124 | 116 | 8 | 117 | 112 | 14 |
| Consumer finance | 87 | 80 | 46 | 94 | 88 | 51 |
| Consumer | 368 | 341 | 69 | 374 | 353 | 84 |
| Real estate | 60 | 55 | 7 | 57 | 52 | 7 |
| Commercial and industrial loans | 918 | 901 | 386 | 760 | 745 | 365 |
| Financial institutions | 161 | 154 | 66 | 171 | 166 | 83 |
| Corporate & institutional | 1,139 | 1,110 | 459 | 988 | 963 | 455 |
| **Gross impaired loans with a specific allowance** | **1,507** | **1,451** | **528** | **1,362** | **1,316** | **539** |
| Mortgages | 101 | 101 | – | 66 | 65 | – |
| Loans collateralized by securities | 3 | 3 | – | 21 | 22 | – |
| Consumer finance | 7 | 7 | – | 7 | 7 | – |
| Consumer | 111 | 111 | – | 94 | 94 | – |
| Real estate | 24 | 24 | – | 24 | 24 | – |
| Commercial and industrial loans | 393 | 393 | – | 234 | 234 | – |
| Financial institutions | 0 | 0 | – | 2 | 2 | – |
| Governments and public institutions | 15 | 15 | – | 0 | 0 | – |
| Corporate & institutional | 432 | 432 | – | 260 | 260 | – |
| **Gross impaired loans without specific allowance** | **543** | **543** | **–** | **354** | **354** | **–** |
| **Gross impaired loans** | **2,050** | **1,994** | **528** | **1,716** | **1,670** | **539** |
| of which consumer | 479 | 452 | 69 | 468 | 447 | 84 |
| of which corporate & institutional | 1,571 | 1,542 | 459 | 1,248 | 1,223 | 455 |

## Gross impaired loan detail (continued)

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 150 | 1 | 1 | 143 | 1 | 1 |
| Loans collateralized by securities | 118 | 0 | 0 | 49 | 0 | 0 |
| Consumer finance | 85 | 0 | 0 | 86 | 1 | 1 |
| Consumer | 353 | 1 | 1 | 278 | 2 | 2 |
| Real estate | 51 | 0 | 0 | 63 | 0 | 0 |
| Commercial and industrial loans | 925 | 4 | 1 | 509 | 3 | 2 |
| Financial institutions | 167 | 1 | 0 | 141 | 1 | 1 |
| Governments and public institutions | 2 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 1,145 | 5 | 1 | 713 | 4 | 3 |
| **Gross impaired loans with a specific allowance** | **1,498** | **6** | **2** | **991** | **6** | **5** |
| Mortgages | 82 | 1 | 0 | 52 | 1 | 0 |
| Loans collateralized by securities | 21 | 0 | 0 | 32 | 1 | 0 |
| Consumer finance | 15 | 0 | 0 | 7 | 0 | 0 |
| Consumer | 118 | 1 | 0 | 91 | 2 | 0 |
| Real estate | 37 | 0 | 0 | 5 | 0 | 0 |
| Commercial and industrial loans | 263 | 3 | 0 | 23 | 0 | 0 |
| Financial institutions | 2 | 0 | 0 | 1 | 0 | 0 |
| Governments and public institutions | 4 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 306 | 3 | 0 | 29 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **424** | **4** | **0** | **120** | **2** | **0** |
| **Gross impaired loans** | **1,922** | **10** | **2** | **1,111** | **8** | **5** |
| of which consumer | 471 | 2 | 1 | 369 | 4 | 2 |
| of which corporate & institutional | 1,451 | 8 | 1 | 742 | 4 | 3 |

## Restructured loans held at amortized cost

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | |
| Commercial and industrial loans | 8 | 59 | 59 | 4 | 92 | 99 |
| **Total** | **8** | **59** | **59** | **4** | **92** | **99** |

In 6M15, the Bank reported the default of one loan within commercial and industrial loans with a recorded investment amount of CHF 65 million, which had been restructured within the previous 12 months. In 6M16, the Bank did not experience a default on any loan that had been restructured within the previous 12 months.

In 6M16, the loan modifications of the Bank included extended repayment terms, including the suspension of annual contractual credit limit reductions, cash margin requirements on new trade finance transactions, waiver of covenants, release of corporate guarantees and waiver of interest.

## 17 Goodwill

| 6M16 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Bank |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **496** | **1,511** | **2,046** | **2,838** | **917** | **12** | **7,820** |
| Goodwill acquired during the year | 5 | 0 | 0 | 0 | 0 | 0 | **5** |
| Foreign currency translation impact | (5) | (27) | (15) | (1) | (7) | 0 | **(55)** |
| Other | (1) | (5) | (1) | 0 | 0 | 0 | **(7)** |
| **Balance at end of period** | **495** | **1,479** | **2,030** | **2,837** | **910** | **12** | **7,763** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Balance at end of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **495** | **1,479** | **1,258** | **118** | **522** | **0** | **3,872** |

▸ Refer to "Note 18 – Goodwill" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 for further information.

## 18 Other assets and other liabilities

| end of | 6M16 | 2015 |
|---|---|---|
| **Other assets (CHF million)** | | |
| Cash collateral on derivative instruments | 10,050 | 7,987 |
| Cash collateral on non-derivative transactions | 987 | 327 |
| Derivative instruments used for hedging | 168 | 186 |
| Assets held-for-sale | 12,968 | 26,061 |
| of which loans [1] | 12,782 | 25,839 |
| of which real estate [2] | 157 | 182 |
| of which long-lived assets | 29 | 40 |
| Assets held for separate accounts | 625 | 1,307 |
| Interest and fees receivable | 5,346 | 5,643 |
| Deferred tax assets | 6,280 | 6,068 |
| Prepaid expenses | 519 | 442 |
| Failed purchases | 2,923 | 2,770 |
| Other | 6,323 | 7,119 |
| **Other assets** | **46,189** | **57,910** |
| **Other liabilities (CHF million)** | | |
| Cash collateral on derivative instruments | 12,776 | 13,991 |
| Cash collateral on non-derivative transactions | 360 | 518 |
| Derivative instruments used for hedging | 303 | 110 |
| Deposits held-for-sale | 2,420 | 0 |
| Provisions | 1,521 | 1,841 |
| of which off-balance sheet risk | 94 | 87 |
| Restructuring liabilities | 298 | 199 |
| Liabilities held for separate accounts | 625 | 1,307 |
| Interest and fees payable | 6,108 | 5,926 |
| Current tax liabilities | 738 | 577 |
| Deferred tax liabilities | 34 | 41 |
| Failed sales | 1,102 | 1,551 |
| Other | 13,051 | 15,654 |
| **Other liabilities** | **39,336** | **41,715** |

[1] Included as of 6M16 and 2015 were CHF 802 million and CHF 1,135 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 72 million and CHF 60 million, respectively, in loans held in trusts, which are consolidated as a result of failed sales under US GAAP.

[2] As of 6M16 and 2015, real estate held-for-sale included foreclosed or repossessed real estate of CHF 21 million and CHF 31 million, respectively, of which CHF 13 million and CHF 3 million, respectively, were related to residential real estate.

## 19 Long-term debt

### Long-term debt

| end of | 6M16 | 2015 |
|---|---|---|
| **Long-term debt (CHF million)** | | |
| Senior | 169,578 | 153,372 |
| Subordinated | 23,245 | 23,896 |
| Non-recourse liabilities from consolidated VIEs | 1,780 | 14,826 |
| **Long-term debt** | **194,603** | **192,094** |
| of which reported at fair value | 73,070 | 80,002 |
| of which structured notes | 60,446 | 54,848 |

### Structured notes by product

| end of | 6M16 | 2015 |
|---|---|---|
| **Structured notes (CHF million)** | | |
| Equity | 35,490 | 35,594 |
| Fixed income | 16,398 | 11,534 |
| Credit | 5,618 | 5,261 |
| Other | 2,940 | 2,459 |
| **Total structured notes** | **60,446** | **54,848** |

## 20 Accumulated other comprehensive income

### Accumulated other comprehensive income/(loss)

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | Gains/ (losses) on liabilities relating to credit risk | **Accumulated other comprehensive income/ (loss)** |
|---|---|---|---|---|---|---|---|
| **6M16 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **6** | **(12,751)** | **50** | **(612)** | **3** | **–** | **(13,304)** |
| Increase/(decrease) | 73 | (546) | 5 | 0 | 0 | 1,042 | 574 |
| Reclassification adjustments, included in net income/(loss) | (5) | 56 | 0 | 20 | 0 | – | 71 |
| Cumulative effect of accounting changes, net of tax | 0 | 0 | 0 | 0 | 0 | 465 | 465 |
| Total increase/(decrease) | 68 | (490) | 5 | 20 | 0 | 1,507 | 1,110 |
| **Balance at end of period** | **74** | **(13,241)** | **55** | **(592)** | **3** | **1,507** | **(12,194)** |
| **6M15 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(18)** | **(11,623)** | **56** | **(656)** | **17** | **–** | **(12,224)** |
| Increase/(decrease) | 43 | (2,455) | (4) | 0 | 0 | – | (2,416) |
| Reclassification adjustments, included in net income/(loss) | 9 | 6 | (1) | 34 | (7) | – | 41 |
| Total increase/(decrease) | 52 | (2,449) | (5) | 34 | (7) | – | (2,375) |
| **Balance at end of period** | **34** | **(14,072)** | **51** | **(622)** | **10** | **–** | **(14,599)** |

### Details on significant reclassification adjustments

| in | **6M16** | 6M15 |
|---|---|---|
| **Reclassification adjustments, included in net income/(loss) (CHF million)** | | |
| **Cumulative translation adjustments** | | |
| Reclassification adjustments [1] | **56** | **6** |
| **Actuarial gains/(losses)** | | |
| Amortization of recognized actuarial losses [2] | 28 | 45 |
| Tax expense/(benefit) | (8) | (11) |
| **Net of tax** | **20** | **34** |

[1] Includes net releases of CHF 55 million on the sale of Credit Suisse (Gibraltar) Limited in 6M16. These were reclassified from cumulative translation adjustments and included in net income in other revenues.

[2] These components are included in the computation of total benefit costs. Refer to "Note 24 – Pension and other post-retirement benefits" for further information.

## 21 Offsetting of financial assets and financial liabilities

▸ Refer to "Note 22 – Offsetting of financial assets and financial liabilities" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 for further information.

### Offsetting of derivatives

| end of | 6M16 | | 2015 | |
|---|---|---|---|---|
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 28.1 | 24.0 | 15.7 | 14.5 |
| OTC | 191.6 | 187.4 | 152.9 | 146.3 |
| Exchange-traded | 0.1 | 0.2 | 0.0 | 0.0 |
| **Interest rate products** | **219.8** | **211.6** | **168.6** | **160.8** |
| OTC-cleared | 0.1 | 0.3 | 0.0 | 0.0 |
| OTC | 58.9 | 70.0 | 58.1 | 68.2 |
| Exchange-traded | 0.5 | 0.1 | 0.3 | 0.3 |
| **Foreign exchange products** | **59.5** | **70.4** | **58.4** | **68.5** |
| OTC-cleared | 0.1 | 0.3 | 0.0 | 0.0 |
| OTC | 11.6 | 13.9 | 12.0 | 13.5 |
| Exchange-traded | 12.2 | 15.2 | 8.9 | 11.2 |
| **Equity/index-related products** | **23.9** | **29.4** | **20.9** | **24.7** |
| OTC-cleared | 1.8 | 2.1 | 3.8 | 4.0 |
| OTC | 11.6 | 11.5 | 13.5 | 12.4 |
| Exchange-traded | 0.0 | 0.0 | 0.0 | 0.0 |
| **Credit derivatives** | **13.4** | **13.6** | **17.3** | **16.4** |
| OTC-cleared | 0.1 | 0.0 | 0.0 | 0.1 |
| OTC | 2.2 | 1.3 | 2.7 | 1.5 |
| Exchange-traded | 0.0 | 0.0 | 0.0 | 0.2 |
| **Other products** | **2.3** | **1.3** | **2.7** | **1.8** |
| OTC-cleared | 30.2 | 26.7 | 19.5 | 18.6 |
| OTC | 275.9 | 284.1 | 239.2 | 241.9 |
| Exchange-traded | 12.8 | 15.5 | 9.2 | 11.7 |
| **Total gross derivatives subject to enforceable master netting agreements** | **318.9** | **326.3** | **267.9** | **272.2** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (27.4) | (26.2) | (19.0) | (18.6) |
| OTC | (255.0) | (265.7) | (217.1) | (226.7) |
| Exchange-traded | (12.1) | (13.4) | (9.0) | (9.8) |
| **Offsetting** | **(294.5)** | **(305.3)** | **(245.1)** | **(255.1)** |
| of which counterparty netting | (265.4) | (265.4) | (223.0) | (223.0) |
| of which cash collateral netting | (29.1) | (39.9) | (22.1) | (32.1) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 2.8 | 0.5 | 0.5 | 0.0 |
| OTC | 20.9 | 18.4 | 22.1 | 15.2 |
| Exchange-traded | 0.7 | 2.1 | 0.2 | 1.9 |
| **Total net derivatives subject to enforceable master netting agreements** | **24.4** | **21.0** | **22.8** | **17.1** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **5.3** | **6.3** | **6.0** | **6.5** |
| **Total net derivatives presented in the consolidated balance sheets** | **29.7** | **27.3** | **28.8** | **23.6** |
| of which recorded in trading assets and trading liabilities | 29.5 | 27.0 | 28.6 | 23.5 |
| of which recorded in other assets and other liabilities | 0.2 | 0.3 | 0.2 | 0.1 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

## Offsetting of securities purchased under resale agreements and securities borrowing transactions

| end of | 6M16 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 80.7 | (17.7) | 63.0 | 92.4 | (19.6) | 72.8 |
| Securities borrowing transactions | 24.2 | (4.6) | 19.6 | 21.4 | (3.9) | 17.5 |
| **Total subject to enforceable master netting agreements** | **104.9** | **(22.3)** | **82.6** | **113.8** | **(23.5)** | **90.3** |
| **Total not subject to enforceable master netting agreements** [1] | **39.8** | **–** | **39.8** | **33.1** | **–** | **33.1** |
| **Total** | **144.7** | **(22.3)** | **122.4** [2] | **146.9** | **(23.5)** | **123.4** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 79,927 million and CHF 83,565 million of the total net amount as of 6M15 and 4Q15, respectively, are reported at fair value.

## Offsetting of securities sold under repurchase agreements and securities lending transactions

| end of | 6M16 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 42.1 | (19.5) | 22.6 | 43.2 | (21.4) | 21.8 |
| Securities lending transactions | 8.9 | (2.8) | 6.1 | 9.8 | (2.1) | 7.7 |
| Obligation to return securities received as collateral, at fair value | 16.9 | 0.0 | 16.9 | 19.4 | 0.0 | 19.4 |
| **Total subject to enforceable master netting agreements** | **67.9** | **(22.3)** | **45.6** | **72.4** | **(23.5)** | **48.9** |
| **Total not subject to enforceable master netting agreements** [1] | **12.9** | **–** | **12.9** | **26.2** | **–** | **26.2** |
| **Total** | **80.8** | **(22.3)** | **58.5** | **98.6** | **(23.5)** | **75.1** |
| of which securities sold under repurchase agreements and securities lending transactions | 54.8 | (22.3) | 32.5 [2] | 70.1 | (23.5) | 46.6 [2] |
| of which obligation to return securities received as collateral, at fair value | 26.0 | 0.0 | 26.0 | 28.5 | 0.0 | 28.5 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 18,114 million and CHF 32,398 million of the total net amount as of 6M16 and 4Q15, respectively, are reported at fair value.

## Amounts not offset in the consolidated balance sheets

| end of | 6M16 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 24.4 | 6.1 | 0.1 | 18.2 | 22.8 | 6.2 | 0.8 | 15.8 |
| Securities purchased under resale agreements | 63.0 | 63.0 | 0.0 | 0.0 | 72.8 | 72.8 | 0.0 | 0.0 |
| Securities borrowing transactions | 19.6 | 19.1 | 0.0 | 0.5 | 17.5 | 17.1 | 0.0 | 0.4 |
| **Total financial assets subject to enforceable master netting agreements** | **107.0** | **88.2** | **0.1** | **18.7** | **113.1** | **96.1** | **0.8** | **16.2** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 21.0 | 5.6 | 0.0 | 15.4 | 17.1 | 3.4 | 0.0 | 13.7 |
| Securities sold under repurchase agreements | 22.6 | 22.6 | 0.0 | 0.0 | 21.8 | 21.8 | 0.0 | 0.0 |
| Securities lending transactions | 6.1 | 6.0 | 0.0 | 0.1 | 7.7 | 7.4 | 0.0 | 0.3 |
| Obligation to return securities received as collateral, at fair value | 16.9 | 16.3 | 0.0 | 0.6 | 19.4 | 18.5 | 0.0 | 0.9 |
| **Total financial liabilities subject to enforceable master netting agreements** | **66.6** | **50.5** | **0.0** | **16.1** | **66.0** | **51.1** | **0.0** | **14.9** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

## 22 Tax

The effective tax rate of 41.7% in 6M16 mainly reflected the impact of the geographical mix of results. Overall, net deferred tax assets increased CHF 219 million to CHF 6,246 million as of the end of 6M16 compared to 2015.

The half-yearly income tax expense includes the impact of the continuous re-assessment of the estimated annual effective tax rate as well as the impact of items that need to be recorded in the specific interim period in which they occur.

Net deferred tax assets related to net operating losses, net deferred tax assets on temporary differences and net deferred tax liabilities are presented in the following manner. Nettable gross deferred tax liabilities are allocated on a pro-rata basis to gross deferred tax assets on net operating losses and gross deferred tax assets on temporary differences. This approach is aligned with the underlying treatment of netting gross deferred tax assets and liabilities under the Basel III framework. Valuation allowances have been allocated against such deferred tax assets on net operating losses first with any remainder allocated to such deferred tax assets on temporary differences. This presentation is considered the most appropriate disclosure given the underlying nature of the gross deferred tax balances.

As of June 30, 2016, the Bank had accumulated undistributed earnings from foreign subsidiaries of CHF 4.3 billion which are considered indefinitely reinvested. The Bank would need to accrue and pay taxes on these undistributed earnings if such earnings were repatriated. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The Bank is currently subject to ongoing tax audits and inquiries with the tax authorities in a number of jurisdictions, including the US, the UK and Switzerland. Although the timing of the completion of these audits is uncertain, it is reasonably possible that some of these audits and inquiries will be resolved within 12 months of the reporting date. It is reasonably possible that there will be a decrease between zero and CHF 7 million in unrecognized tax benefits within 12 months of the reporting date.

The Bank remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Japan – 2012; Switzerland – 2011; Brazil – 2010; the US – 2010; the UK – 2009; and the Netherlands – 2005.

### Effective tax rate

| in | 6M16 | 6M15 |
|---|---|---|
| **Effective tax rate (%)** | **41.7** | 34.6 |

### Tax expense reconciliation

| in | 6M16 |
|---|---|
| CHF million | |
| **Income tax expense/(benefit) computed at the statutory tax rate of 22%** | **(155)** |
| Increase/(decrease) in income taxes resulting from | |
| Foreign tax rate differential | (72) |
| Changes in tax law and rates | 4 |
| Other non-deductible expenses | 95 |
| Changes in deferred tax valuation allowance | 64 |
| Lower taxed income | (80) |
| Change in recognition of outside basis difference | 142 |
| Tax deductible impairments of Swiss subsidiary investments | (52) |
| Other | (239) |
| **Income tax expense/(benefit)** | **(293)** |

**Foreign tax rate differential**
6M16 included a foreign tax benefit of CHF 72 million in respect of earnings in higher tax jurisdictions, such as the US, as well as earnings in lower tax jurisdictions, such as Singapore.

**Other non-deductible expenses**
6M16 included the impact of non-deductible interest expenses of CHF 69 million, non-deductible bank levy costs and other non-deductible compensation expenses of CHF 17 million and non-deductible litigation settlement charge of CHF 9 million.

**Changes in deferred tax valuation allowance**
6M16 included the impact of the increase of valuation allowances of CHF 68 million mainly in respect of three of the Bank's operating entities, all in the UK, and a decrease of valuation allowances of CHF 4 million related to estimated current year earnings.

**Lower taxed income**
6M16 included the impact of a beneficial earnings mix in one of the Bank's operating entities in Switzerland of CHF 65 million, a CHF 14 million income tax benefit related to non-taxable life insurance income and CHF 1 million related to exempt income.

**Change in recognition of outside basis difference**
6M16 included a CHF 142 million income tax expense related to a change of the outside basis difference relating to Swiss subsidiary investments.

**Other**
6M16 included tax benefit of CHF 165 million relating to the re-assessment of deferred tax balances in one of the Bank's operating entities in Switzerland, a tax benefit from the impact of prior year adjustments of CHF 32 million and a tax benefit of CHF 22 million relating to the decrease of tax contingency accruals. The remaining balance included various smaller items.

### Net deferred tax assets

| end of | 6M16 | 2015 |
|---|---|---|
| **Net deferred tax assets (CHF million)** | | |
| Deferred tax assets | 6,280 | 6,068 |
| of which net operating losses | 2,593 | 1,753 |
| of which deductible temporary differences | 3,687 | 4,315 |
| Deferred tax liabilities | (34) | (41) |
| **Net deferred tax assets** | **6,246** | **6,027** |

## 23 Employee deferred compensation

▸ Refer to "Note 24 – Employee deferred compensation" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 and "Note 28 – Employee deferred compensation" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for further information.

### Deferred compensation expense

| in | 6M16 | 6M15 |
|---|---|---|
| **Deferred compensation expense (CHF million)** | | |
| Share awards | 334 | 444 |
| Performance share awards | 205 | 303 |
| Contingent Capital Awards | 62 | 196 |
| Contingent Capital share awards | 6 | 0 |
| Capital Opportunity Facility awards | 6 | 7 |
| Plus Bond awards [1] | 5 | 11 |
| 2011 Partner Asset Facility awards [2] | 0 | 1 |
| Restricted Cash Awards | 0 | 21 |
| 2008 Partner Asset Facility awards [3] | (16) | 22 |
| Other cash awards | 140 | 207 |
| **Total deferred compensation expense** | **742** | **1,212** |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in 6M13 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in underlying fair value of the indexed assets prior to the CCA conversion.
[3] Compensation expense mainly includes the change in underlying fair value of the indexed assets during the period.

### Estimated unrecognized deferred compensation

| end of | 6M16 |
|---|---|
| **Estimated unrecognized compensation expense (CHF million)** | |
| Share awards | 697 |
| Performance share awards | 306 |
| Contingent Capital Awards | 211 |
| Contingent Capital share awards | 58 |
| Other cash awards | 266 |
| **Estimated unrecognized deferred compensation expense** | **1,538** |
| **Weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.2 |

### 6M16 activity

In 6M16, the Bank granted share awards, performance share awards and Contingent Capital Awards as part of the 2015 variable compensation. Expense recognition for these awards began in 6M16 and will continue over the remaining service or vesting period of each respective award.

### Share awards

In 6M16, the Bank granted 33.1 million shares at a weighted-average share price of CHF 18.21. Each share award granted entitles the holder of the award to receive one Group share and is subject to service conditions as it vests over three years, such that the share award vests equally on each of the three anniversaries of the grant date.

### Performance share awards

In 6M16, the Bank granted 21.3 million performance shares at a weighted-average share price of CHF 18.62. 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 award, the outstanding performance share award is subject to a negative adjustment in the event of a divisional loss in which the employee worked as of December 31, 2015, or a negative return on equity (ROE) of the Group, whichever results in a larger adjustment. For employees in corporate functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative ROE of the Group and is not linked to the performance of the divisions.

### Contingent Capital Awards

In 6M16, the Bank awarded Contingent Capital Awards (CCA) with a total value of CHF 217 million. CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over a three-year period from the grant date.

In March 2016, the Bank executed a voluntary exchange offer, under which employees had the right to voluntarily convert a portion of their respective CCA into Contingent Capital share awards at a conversion price of CHF 14.57. CCA holders elected to convert CHF 213 million of their CCA into the new Contingent Capital

share awards during the election period. This fair value represented an approximate conversion rate of 15%. Each Contingent Capital share award had a grant-date fair value of CHF 14.45 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original CCA.

Upon conversion, CHF 135 million of the liability related to CCA that were converted into Contingent Capital share awards was reclassified to total shareholder's equity.

### Other cash awards

In 6M16, the Bank granted a special cash award of CHF 183 million, which will be expensed over a two-year period from the grant date.

### Share-based award activity

| | 6M16 | | |
|---|---|---|---|
| Number of awards (in millions) | Share awards | Performance share awards | Contingent Capital share award |
| **Share-based award activities** | | | |
| **Balance at beginning of period** | **78.9** | **55.3** | **0.0** |
| Granted | 33.1 | 21.3 | 15.4 |
| Settled | (34.8) | (26.1) | (2.5) |
| Forfeited | (6.4) | (0.9) | 0.0 |
| **Balance at end of period** | **70.8** | **49.6** | **12.9** |
| of which vested | 4.9 | 3.0 | 0.3 |
| of which unvested | 65.9 | 46.6 | 12.6 |

## 24 Pension and other post-retirement benefits

▸ Refer to "Note 25 – Pension and other post-retirement benefits" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 and "Note 30 – Pension and other post-retirement benefits" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for further information.

The Bank expects to contribute CHF 241 million to the international single-employer defined benefit pension plans and other post-retirement defined benefit plans in 2016. As of the end of 6M16, CHF 226 million of contributions had been made.

### Components of total benefit costs

| in | 6M16 | 6M15 |
|---|---|---|
| **Total benefit costs (CHF million)** | | |
| Service costs on benefit obligation | 11 | 11 |
| Interest costs on benefit obligation | 69 | 66 |
| Expected return on plan assets | (88) | (95) |
| Amortization of recognized prior service cost/(credit) | 0 | (11) |
| Amortization of recognized actuarial losses | 28 | 45 |
| **Total benefit costs** | **20** | **16** |

## 25 Derivatives and hedging activities

▸ Refer to "Note 26 – Derivatives and hedging activities" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 and to "Note 31 – Derivatives and hedging activities" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for further information.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Bank.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Bank elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 26 – Financial instruments" for further information.

### Fair value of derivative instruments

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 6M16 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 9,125.6 | 3.2 | 3.5 | 0.0 | 0.0 | 0.0 |
| Swaps | 14,862.2 | 151.9 | 146.2 | 40.5 | 1.3 | 1.1 |
| Options bought and sold (OTC) | 2,523.5 | 64.9 | 62.5 | 0.0 | 0.0 | 0.0 |
| Futures | 755.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 330.8 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **27,598.0** | **220.1** | **212.4** | **40.5** | **1.3** | **1.1** |
| Forwards | 1,100.8 | 19.0 | 18.7 | 10.9 | 0.0 | 0.1 |
| Swaps | 933.7 | 32.7 | 43.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 474.9 | 9.0 | 9.9 | 5.5 | 0.0 | 0.0 |
| Futures | 26.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 16.9 | 0.5 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **2,553.1** | **61.2** | **72.2** | **16.4** | **0.0** | **0.1** |
| Forwards | 2.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 175.4 | 4.7 | 7.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 240.2 | 8.3 | 8.3 | 0.0 | 0.0 | 0.0 |
| Futures | 47.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 336.3 | 12.4 | 15.4 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **801.9** | **25.4** | **30.8** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **813.3** | **13.6** | **14.0** | **0.0** | **0.0** | **0.0** |
| Forwards | 7.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 20.1 | 2.2 | 1.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 15.4 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| Futures | 14.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 2.9 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **60.0** | **2.6** | **2.0** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **31,826.3** | **322.9** | **331.4** | **56.9** | **1.3** | **1.2** |

The notional amount, PRV and NRV (trading and hedging) was CHF 31,883.2 billion, CHF 324.2 billion and CHF 332.6 billion, respectively, as of June 30, 2016.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 2015 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 7,229.5 | 1.0 | 1.2 | 0.0 | 0.0 | 0.0 |
| Swaps | 16,740.0 | 118.4 | 112.8 | 49.3 | 1.2 | 0.8 |
| Options bought and sold (OTC) | 2,856.0 | 49.2 | 47.3 | 0.0 | 0.0 | 0.0 |
| Futures | 1,789.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 198.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **28,813.8** | **168.7** | **161.3** | **49.3** | **1.2** | **0.8** |
| Forwards | 1,499.1 | 16.6 | 16.9 | 10.7 | 0.0 | 0.1 |
| Swaps | 1,050.8 | 30.5 | 40.8 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 534.8 | 12.8 | 12.8 | 8.2 | 0.0 | 0.0 |
| Futures | 22.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 13.0 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **3,120.2** | **60.2** | **70.8** | **18.9** | **0.0** | **0.1** |
| Forwards | 1.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 203.9 | 5.0 | 6.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 193.9 | 8.7 | 8.0 | 0.0 | 0.0 | 0.0 |
| Futures | 39.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 284.4 | 9.1 | 11.4 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **723.4** | **22.8** | **26.2** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **831.9** | **17.8** | **17.3** | **0.0** | **0.0** | **0.0** |
| Forwards | 6.3 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 19.6 | 2.6 | 1.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 8.8 | 0.4 | 0.3 | 0.0 | 0.0 | 0.0 |
| Futures | 11.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 1.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **47.7** | **3.2** | **2.2** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **33,537.0** | **272.7** | **277.8** | **68.2** | **1.2** | **0.9** |

The notional amount, PRV and NRV (trading and hedging) was CHF 33,605.2 billion, CHF 273.9 billion and CHF 278.7 billion, respectively, as of December 31, 2015.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments

▸ Refer to "Note 19 – Offsetting of financial assets and financial liabilities" for further information on the offsetting of derivative instruments.

## Fair value hedges

| in | 6M16 | 6M15 |
|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | |
| Interest rate products | 1,841 | (535) |
| Foreign exchange products | 0 | 2 |
| **Total** | **1,841** | **(533)** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | |
| Interest rate products | (2,005) | 552 |
| Foreign exchange products | 0 | (2) |
| **Total** | **(2,005)** | **550** |
| **Details of fair value hedges (CHF million)** | | |
| Net gains/(losses) on the ineffective portion | (164) | 17 |

Represents gains/(losses) recognized in trading revenues.

## Cash flow hedges

| in | 6M16 | 6M15 |
|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | |
| Interest rate products | 97 | 54 |
| Foreign exchange products | (3) | (5) |
| **Total** | **94** | **49** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | |
| Interest rate products | 16 [1] | 18 [1,2] |
| Foreign exchange products | (7) [2,3] | (27) [2,3] |
| **Total** | **9** | **(9)** |
| **Details of cash flow hedges (CHF million)** | | |
| Net gains on the ineffective portion [2] | 31 | (2) |

[1] Included in interest and dividend income.

[2] Included in trading revenues.

[3] Included in total other operating expenses.

As of the end of 6M16, the maximum length of time over which the Bank 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.

The net gain associated with cash flow hedges expected to be reclassified from accumulated other comprehensive income (AOCI) within the next 12 months was CHF 34 million.

### Net investment hedges

| in | 6M16 | 6M15 |
|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | |
| Foreign exchange products | (253) | 808 |
| Total | **(253)** | **808** |

Represents gains/(losses) on effective portion.

The Bank includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

The following table provides the Bank's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and special purpose entities (SPEs) that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch, two-notch and a three-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

### Contingent credit risk

| end of | 6M16 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations [1] | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 14.3 | 0.5 | 1.2 | **16.0** | 13.2 | 0.5 | 1.4 | **15.1** |
| Collateral posted | 13.3 | 0.5 | – | **13.8** | 12.3 | 0.5 | – | **12.8** |
| Additional collateral required in a one-notch downgrade event | 0.3 | 0.5 | 0.1 | **0.9** | 0.7 | 0.4 | 0.1 | **1.2** |
| Additional collateral required in a two-notch downgrade event | 1.5 | 0.8 | 0.6 | **2.9** | 1.8 | 0.7 | 0.6 | **3.1** |
| Additional collateral required in a three-notch downgrade event | 1.8 | 0.9 | 0.8 | **3.5** | 2.1 | 1.3 | 0.8 | **4.2** |

### Credit derivatives

▸ Refer to "Note 32 – Derivatives and hedging activities" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for further information on credit derivatives.

#### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" tables. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other derivative instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 8.8 billion and CHF 7.8 billion as of the end of 6M16 and 2015, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

## Credit protection sold/purchased

| end of | 6M16 | | | | | 2015 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (183.4) | 174.5 | (8.9) | 20.7 | 1.0 | (199.6) | 188.6 | (11.0) | 26.9 | 1.0 |
| Non-investment grade | (64.3) | 62.2 | (2.1) | 11.8 | (1.4) | (65.2) | 61.1 | (4.1) | 15.7 | (3.2) |
| **Total single-name instruments** | **(247.7)** | **236.7** | **(11.0)** | **32.5** | **(0.4)** | **(264.8)** | **249.7** | **(15.1)** | **42.6** | **(2.2)** |
| of which sovereign | (46.9) | 42.9 | (4.0) | 7.1 | (1.1) | (47.5) | 43.9 | (3.6) | 6.1 | (1.1) |
| of which non-sovereign | (200.8) | 193.8 | (7.0) | 25.4 | 0.7 | (217.3) | 205.8 | (11.5) | 36.5 | (1.1) |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (103.4) | 101.4 | (2.0) | 32.0 | (0.7) | (89.1) | 88.3 | (0.8) | 31.6 | (0.5) |
| Non-investment grade | (21.6) | 15.7 [3] | (5.9) | 4.5 | 0.4 | (24.4) | 18.0 [3] | (6.4) | 6.2 | 0.2 |
| **Total multi-name instruments** | **(125.0)** | **117.1** | **(7.9)** | **36.5** | **(0.3)** | **(113.5)** | **106.3** | **(7.2)** | **37.8** | **(0.3)** |
| of which sovereign | (0.6) | 0.6 | 0.0 | 0.8 | 0.0 | (1.0) | 1.0 | 0.0 | 1.0 | 0.0 |
| of which non-sovereign | (124.4) | 116.5 | (7.9) | 35.7 | (0.3) | (112.5) | 105.3 | (7.2) | 36.8 | (0.3) |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (286.8) | 275.9 | (10.9) | 52.7 | 0.3 | (288.7) | 276.9 | (11.8) | 58.5 | 0.5 |
| Non-investment grade | (85.9) | 77.9 | (8.0) | 16.3 | (1.0) | (89.6) | 79.1 | (10.5) | 21.9 | (3.0) |
| **Total instruments** | **(372.7)** | **353.8** | **(18.9)** | **69.0** | **(0.7)** | **(378.3)** | **356.0** | **(22.3)** | **80.4** | **(2.5)** |
| of which sovereign | (47.5) | 43.5 | (4.0) | 7.9 | (1.1) | (48.5) | 44.9 | (3.6) | 7.1 | (1.1) |
| of which non-sovereign | (325.2) | 310.3 | (14.9) | 61.1 | 0.4 | (329.8) | 311.1 | (18.7) | 73.3 | (1.4) |

[1] Represents credit protection purchased with identical underlyings and recoveries.
[2] Based on internal ratings of BBB and above.
[3] Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

## Credit derivatives

| end of | **6M16** | 2015 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 372.7 | 378.3 |
| Credit protection purchased | 353.8 | 356.0 |
| Other protection purchased | 69.0 | 80.4 |
| Other instruments [1] | 17.8 | 17.2 |
| **Total credit derivatives** | **813.3** | **831.9** |

[1] Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

## Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | **Total** |
|---|---|---|---|---|
| **6M16 (CHF billion)** | | | | |
| Single-name instruments | 54.1 | 177.1 | 16.5 | 247.7 |
| Multi-name instruments | 17.6 | 98.8 | 8.6 | 125.0 |
| **Total instruments** | **71.7** | **275.9** | **25.1** | **372.7** |
| **2015 (CHF billion)** | | | | |
| Single-name instruments | 52.1 | 196.4 | 16.3 | 264.8 |
| Multi-name instruments | 19.0 | 84.9 | 9.6 | 113.5 |
| **Total instruments** | **71.1** | **281.3** | **25.9** | **378.3** |

## 26 Guarantees and commitments

▸ Refer to "Note 27 – Guarantees and commitments" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 and to "Note 32 – Guarantees and commitments" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for further information.

### Guarantees

| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|
| **6M16 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,092 | 1,113 | 3,205 | 2,976 | 9 | 1,726 |
| Performance guarantees and similar instruments | 4,381 | 2,450 | 6,831 | 5,958 | 87 | 2,897 |
| Derivatives [2] | 28,754 | 7,474 | 36,228 | 36,228 | 1,158 | – [3] |
| Other guarantees | 3,697 | 1,417 | 5,114 | 5,111 | 36 | 3,383 |
| **Total guarantees** | **38,924** | **12,454** | **51,378** | **50,273** | **1,290** | **8,006** |
| **2015 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,908 | 1,479 | 4,387 | 4,178 | 24 | 1,727 |
| Performance guarantees and similar instruments | 4,201 | 2,613 | 6,814 | 5,915 | 75 | 3,104 |
| Derivatives [2] | 23,528 | 14,661 | 38,189 | 38,189 | 755 | – [3] |
| Other guarantees | 3,901 | 1,478 | 5,379 | 5,374 | 51 | 3,492 |
| **Total guarantees** | **34,538** | **20,231** | **54,769** | **53,656** | **905** | **8,323** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Bank had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not considered significant.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by Swiss Financial Market Supervisory Authority FINMA (FINMA) or by compulsory liquidation of another deposit taking bank, the Bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank's banking subsidiaries in Switzerland, the Bank's share in the deposit insurance guarantee program for the period July 1, 2015 to June 30, 2016 was CHF 0.5 billion. These deposit insurance guarantees were reflected in other guarantees. For the period July 1, 2016 to June 30, 2017, the Bank's share in this deposit insurance guarantee program based on FINMA's estimate will be unchanged at CHF 0.5 billion.

### Representations and warranties on residential mortgage loans sold

In connection with the former Investment Banking's sale of US residential mortgage loans, the Bank has provided certain representations and warranties relating to the loans sold.

▸ Refer to "Note 27 – Guarantees and commitments" in III – Consolidated financial statements – Credit Suisse Group for further information.

### Other commitments

| | 6M16 | | | | | 2015 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received |
| **Other commitments (CHF million)** | | | | | | | | | | |
| Irrevocable commitments under documentary credits | 4,169 | 8 | 4,177 | 4,115 | 2,849 | 4,020 | 7 | 4,027 | 3,932 | 2,468 |
| Irrevocable loan commitments | 27,761 | 84,467 | 112,228 [2] | 108,578 | 50,428 | 33,776 | 103,627 | 137,403 [2] | 133,583 | 63,275 |
| Forward reverse repurchase agreements | 837 | – | 837 | 837 | 837 | 48 | – | 48 | 48 | 48 |
| Other commitments | 996 | 141 | 1,137 | 1,137 | 8 | 404 | 321 | 725 | 726 | 6 |
| **Total other commitments** | **33,763** | **84,616** | **118,379** | **114,667** | **54,122** | **38,248** | **103,955** | **142,203** | **138,289** | **65,797** |

[1] Total net amount is computed as the gross amount less any participations.

[2] Irrevocable loan commitments do not include a total gross amount of CHF 94,822 million and CHF 95,025 million of unused credit limits as of the end of 6M16 and 2015, respectively, which were revocable at the Bank's sole discretion upon notice to the client. The prior period has been adjusted to the current presentation.

## 27 Transfers of financial assets and variable interest entities

▸ Refer to "Note 28 – Transfers of financial assets and variable interest entities in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial report 2Q16 and "Note 33 – Transfers of financial assets and variable interest entities in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for further information.

### TRANSFERS OF FINANCIAL ASSETS

#### Securitizations

The following table provides the gains or losses and proceeds from the transfer of assets relating to 6M16 and 6M15 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with cash flows between the Bank and the SPEs used in any securitizations in which the Bank still has continuing involvement, regardless of when the securitization occurred.

#### Securitizations

| in | **6M16** | 6M15 |
|---|---|---|
| **Gains and cash flows (CHF million)** | | |
| **CMBS** | | |
| Net gain/(loss) [1] | 2 | (2) |
| Proceeds from transfer of assets | 3,148 | 5,252 |
| Cash received on interests that continue to be held | 35 | 74 |
| **RMBS** | | |
| Net gain/(loss) [1] | (1) | 4 |
| Proceeds from transfer of assets | 4,898 | 8,416 |
| Servicing fees | 2 | 1 |
| Cash received on interests that continue to be held | 262 | 204 |
| **Other asset-backed financings** | | |
| Net gain [1] | 17 | 11 |
| Proceeds from transfer of assets | 1,305 [2] | 636 |
| Fees [3] | 61 | – |
| Cash received on interests that continue to be held | 1 | 3 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

[2] Excludes a net impact of CHF 3,109 million from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.

[3] Represents management fees and performance fees earned for investment management services provided to managed CLOs.

### Continuing involvement in transferred financial assets

The following table provides the outstanding principal balance of assets to which the Bank continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 6M16 and 2015, regardless of when the transfer of assets occurred.

**Principal amounts outstanding and total assets of SPEs resulting from continuing involvement**

| end of | 6M16 | 2015 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 35,114 | 40,625 |
| Total assets of SPE | 47,665 | 56,118 |
| **RMBS** | | |
| Principal amount outstanding | 43,897 | 54,164 |
| Total assets of SPE | 43,897 | 55,833 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 20,070 [1] | 21,653 |
| Total assets of SPE | 34,466 [1] | 22,787 |

Principal amount outstanding relates to assets transferred from the Bank and does not include principle amounts for assets transferred from third parties.

[1] Includes a net impact of CHF 3,208 million in principal amount outstanding and of CHF 16,625 million in total assets of the SPE from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.

### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Bank may utilize to hedge the inherent risks.

### Key economic assumptions at the time of transfer

▸ Refer to "Note 28 – Financial instruments" for information on fair value hierarchy levels.

**Key economic assumptions used in measuring fair value of beneficial interests at time of transfer**

| at time of transfer, in | 6M16 | | 6M15 | |
|---|---|---|---|---|
| | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 42 | 1,300 | 997 | 1,018 |
| of which level 2 | 42 | 1,228 | 975 | 826 |
| of which level 3 | 0 | 71 | 22 | 192 |
| Weighted-average life, in years | 10.7 | 6.7 | 8.9 | 8.6 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 8.1–24.4 | – [2] | 4.5–27.7 |
| Cash flow discount rate (rate per annum), in % [3] | 2.4–4.9 | 1.4–18.6 | 2.0–5.7 | 1.7–13.6 |
| Expected credit losses (rate per annum), in % | 0.0–0.0 | 0.0–0.0 | 0.7–3.4 | 0.5–12.5 |

Transfers of assets in which the Bank does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

### Key economic assumptions as of the reporting date

The following tables provide the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 6M16 and 2015.

**Key economic assumptions used in measuring fair value of beneficial interests held in SPEs**

| end of | 6M16 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 568 | 2,067 | 276 | 1,007 | 2,274 | 56 |
| of which non-investment grade | 86 | 584 | 50 | 73 | 581 | 55 |
| Weighted-average life, in years | 6.2 | 6.9 | 5.6 | 6.7 | 9.7 | 2.5 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.1–31.1 | – | – | 1.0–37.1 | – |
| Impact on fair value from 10% adverse change | – | (28.7) | – | – | (30.5) | – |
| Impact on fair value from 20% adverse change | – | (55.7) | – | – | (57.6) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.6–16.1 | 0.6–39.1 | 1.3–21.8 | 2.1–13.3 | 1.5–35.5 | 5.7–21.2 |
| Impact on fair value from 10% adverse change | (7.7) | (39.0) | (5.2) | (18.1) | (63.1) | (0.7) |
| Impact on fair value from 20% adverse change | (14.9) | (75.9) | (10.3) | (35.6) | (122.5) | (1.5) |
| Expected credit losses (rate per annum), in % | 1.1–15.3 | 0.2–37.7 | 0.2–20.0 | 0.9–12.7 | 1.3–34.3 | 0.2–14.2 |
| Impact on fair value from 10% adverse change | (4.8) | (27.8) | (4.1) | (8.0) | (32.3) | (0.7) |
| Impact on fair value from 20% adverse change | (9.5) | (54.3) | (8.1) | (15.9) | (63.2) | (1.5) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[2] CDOs within this category are generally structured to be protected from prepayment risk.

[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[4] The rate was based on the weighted-average yield on the beneficial interests.

### Transfers of financial assets where sale treatment was not achieved

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 6M16 and 2015.

▸ Refer to "Note 29 – Assets pledged and collateral" for information on assets pledged or assigned.

**Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved**

| end of | 6M16 | 2015 |
|---|---|---|
| **CHF million** | | |
| **RMBS** | | |
| Other assets | 0 | 266 |
| Liability to SPE, included in Other liabilities | 0 | (266) |
| **Other asset-backed financings** | | |
| Trading assets | 214 | 155 |
| Other assets | 139 | 122 |
| Liability to SPE, included in Other liabilities | (353) | (277) |

### Transfers of financial assets accounted for as a sale

The following table presents information about the transfers of financial assets accounted for as sales with agreements that result in the Bank retaining substantially all of the exposure to the economic return on the transferred assets at the date of sale and remain outstanding as of the end of 6M16 and 2015, gross cash proceeds received for assets derecognized at the date of sale and the fair values of transferred assets and the aforementioned agreements as of the end of 6M16 and 2015.

**Transfer of financial assets accounted for as sales – by transaction type**

| | at date of derecognition | | | end of | |
|---|---|---|---|---|---|
| | Carrying amount derecognized | Gross cash proceeds received for assets derecognized | Fair value of transferred assets | Gross derivative assets recorded [1] | Gross derivative liabilities recorded [1] |
| **6M16 (CHF million)** | | | | | |
| Sales with longevity swaps | 308 | 378 | 404 | 583 | – |
| **Total transactions outstanding** | **308** | **378** | **404** | **583** [2] | **0** |
| **2015 (CHF million)** | | | | | |
| Sales with total return swaps | 395 | 397 | 398 | 7 | 7 |
| Sales with longevity swaps | 308 | 378 | 375 | 546 | – |
| **Total transactions outstanding** | **703** | **775** | **773** | **553** [3] | **7** [3] |

[1] Balances presented on a gross basis, before application of counterparty and cash collateral netting.
[2] As of the end of 6M16, gross derivative assets of CHF 583 million were included in other products, as disclosed in Note 26 – Derivatives and hedging activities.
[3] As of the end of 2015, gross derivative assets of CHF 7 million and CHF 546 million were included in equity/index-related products and other products, respectively, and gross derivative liabilities of CHF 7 million were included in equity/index-related products, as disclosed in Note 26 – Derivatives and hedging activities.

### Securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of the end of 6M16 and 2015.

**Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by class of collateral pledged**

| end of | 6M16 | 2015 |
|---|---|---|
| **CHF billion** | | |
| Government debt securities | 20.1 | 21.1 |
| Corporate debt securities | 12.6 | 15.2 |
| Asset-backed securities | 11.3 | 21.6 |
| Equity securities | 0.1 | 0.1 |
| Other | 0.1 | 0.1 |
| **Securities sold under repurchase agreements** | **44.2** | **58.1** |
| Government debt securities | 3.3 | 3.1 |
| Corporate debt securities | 0.5 | 0.4 |
| Equity securities | 6.4 | 8.2 |
| Other | 0.4 | 0.3 |
| **Securities lending transactions** | **10.6** | **12.0** |
| Government debt securities | 0.6 | 0.5 |
| Corporate debt securities | 0.4 | 0.1 |
| Equity securities | 25.0 | 27.9 |
| **Obligation to return securities received as collateral, at fair value** | **26.0** | **28.5** |
| **Total** | **80.8** | **98.6** |

**Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by remaining contractual maturity**

| | | Remaining contractual maturities | | | |
|---|---|---|---|---|---|
| end of | On demand [1] | Up to 30 days [2] | 31-90 days | More than 90 days | **Total** |
| **6M16 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 5.2 | 22.1 | 8.0 | 8.9 | 44.2 |
| Securities lending transactions | 4.8 | 4.9 | 0.2 | 0.7 | 10.6 |
| Obligation to return securities received as collateral, at fair value | 23.7 | 2.3 | 0.0 | 0.0 | 26.0 |
| **Total** | **33.7** | **29.3** | **8.2** | **9.6** | **80.8** |
| **2015 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 7.7 | 29.9 | 8.1 | 12.4 | 58.1 |
| Securities lending transactions | 6.0 | 3.6 | 1.8 | 0.6 | 12.0 |
| Obligation to return securities received as collateral, at fair value | 26.2 | 2.3 | 0.0 | 0.0 | 28.5 |
| **Total** | **39.9** | **35.8** | **9.9** | **13.0** | **98.6** |

[1] Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.
[2] Includes overnight transactions.

▸ Refer to "Note 21 – Offsetting of financial assets and financial liabilities" for further information on the gross amount of securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral and the net amounts disclosed in the consolidated balance sheets.

## VARIABLE INTEREST ENTITIES

### Commercial paper conduit

In 4Q15, the Bank decided to stop issuing CP from an existing asset-backed CP conduit, Alpine Securitization Corp. (old Alpine), and all outstanding CP was fully repaid as of the end of 4Q15. As of the end of 2Q16, old Alpine did not have any third-party assets.

In 2Q16, the Bank established Alpine Securitization Ltd (Alpine), a multi-seller asset-backed CP conduit used for client and Bank financing purposes. The Bank acts as the administrator and provider of liquidity and credit enhancement facilities for Alpine. Alpine discloses to CP investors certain portfolio and asset data and submits its portfolio to rating agencies for public ratings. This CP conduit purchases assets such as loans and receivables or enters into reverse repurchase agreements and finances such activities through the issuance of CP backed by these assets. The CP conduit can enter into liquidity facilities with third-party entities pursuant to which it may purchase assets from these entities to provide them with liquidity and credit support. The financing transactions are structured to provide credit support to the CP conduit in the form of over-collateralization and other asset-specific enhancements. Alpine is a separate legal entity that is wholly owned by the Bank. However, its assets are available to satisfy only the claims of its creditors. In addition, the Bank, as administrator and liquidity facility provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Bank is deemed the primary beneficiary and consolidates this entity.

As of the end of 2Q16, Alpine did not have any CP outstanding, was rated A-1(sf) by Standard & Poor's and P-1(sf) by Moody's and had exposures in servicer advance receivables and credit card receivables.

The Bank's commitment to this CP conduit consists of obligations under liquidity agreements. The liquidity agreements are asset-specific arrangements, which require the Bank to purchase assets from the CP conduit in certain circumstances, including a lack of liquidity in the CP market such that the CP conduit cannot refinance its obligations or, in some cases, a default of an underlying asset. The asset-specific credit enhancements provided by the client seller of the assets remain unchanged as a result of such a purchase. In entering into such agreements, the Bank reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit.

The Bank's economic risks associated with the CP conduit are included in the Bank's risk management framework including counterparty, economic risk capital and scenario analysis.

### Consolidated VIEs

The consolidated variable interest entities (VIEs) tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of the end of 6M16 and 2015.

## Consolidated VIEs in which the Bank was the primary beneficiary

| end of | CDO/ CLO | CP Conduit | Financial intermediation: Securi-tizations | Financial intermediation: Funds | Financial intermediation: Loans | Financial intermediation: Other | **Total** |
|---|---|---|---|---|---|---|---|
| **6M16 (CHF million)** | | | | | | | |
| Cash and due from banks | 54 | 99 | 88 | 151 | 85 | 12 | 489 |
| Trading assets | 0 | 0 | 88 | 928 | 1,080 | 1,379 | 3,475 |
| Investment securities | 0 | 0 | 544 | 0 | 0 | 0 | 544 |
| Other investments | 0 | 0 | 0 | 118 | 1,534 | 303 | 1,955 |
| Net loans | 0 | 0 | 0 | 0 | 29 | 331 | 360 |
| Premises and equipment | 0 | 0 | 0 | 0 | 256 | 0 | 256 |
| Other assets | 0 | 0 | 1,230 | 37 | 85 | 1,149 | 2,501 |
| of which loans held-for-sale | 0 | 0 | 240 | 0 | 10 | 1 | 251 |
| **Total assets of consolidated VIEs** | **54** | **99** | **1,950** | **1,234** | **3,069** | **3,174** | **9,580** |
| Trading liabilities | 0 | 0 | 0 | 119 | 18 | 0 | 137 |
| Short-term borrowings | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Long-term debt | 68 | 0 | 1,490 | 81 | 138 | 3 | 1,780 |
| Other liabilities | 0 | 0 | 1 | 20 | 139 | 79 | 239 |
| **Total liabilities of consolidated VIEs** | **68** | **0** | **1,491** | **221** | **295** | **82** | **2,157** |
| **2015 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,351 | 0 | 21 | 9 | 93 | 219 | 1,693 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 53 | 0 | 0 | 0 | 0 | 53 |
| Trading assets | 283 | 49 | 0 | 941 | 1,001 | 98 | 2,372 |
| Investment securities | 0 | 0 | 1,009 | 0 | 0 | 0 | 1,009 |
| Other investments | 0 | 0 | 0 | 0 | 1,553 | 433 | 1,986 |
| Net loans | 0 | 0 | 0 | 0 | 27 | 1,285 | 1,312 |
| Premises and equipment | 0 | 0 | 0 | 0 | 299 | 0 | 299 |
| Other assets | 10,839 | 123 | 1,671 | 0 | 82 | 1,735 | 14,450 |
| of which loans held-for-sale | 10,790 | 0 | 469 | 0 | 16 | 0 | 11,275 |
| **Total assets of consolidated VIEs** | **12,473** | **225** | **2,701** | **950** | **3,055** | **3,770** | **23,174** |
| Trading liabilities | 8 | 0 | 0 | 0 | 18 | 1 | 27 |
| Short-term borrowings | 0 | 0 | 81 | 0 | 0 | 0 | 81 |
| Long-term debt | 12,428 | 0 | 2,128 | 125 | 136 | 9 | 14,826 |
| Other liabilities | 51 | 3 | 3 | 1 | 134 | 643 | 835 |
| **Total liabilities of consolidated VIEs** | **12,487** | **3** | **2,212** | **126** | **288** | **653** | **15,769** |

### Non-consolidated VIEs

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Bank has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Bank has with the entity and thus are not amounts that are considered for risk management purposes.

### Non-consolidated VIEs

| | | | Financial intermediation | | | |
|---|---|---|---|---|---|---|
| end of | CDO/ CLO | Securi- tizations | Funds | Loans | Other | **Total** |
| **6M16 (CHF million)** | | | | | | |
| Trading assets | 175 | 4,077 | 982 | 235 | 63 | 5,532 |
| Net loans | 4 | 505 | 2,734 | 4,078 | 1,257 | 8,578 |
| Other assets | 3 | 15 | 1 | 178 | 311 | 508 |
| **Total variable interest assets** | **182** | **4,597** | **3,717** | **4,491** | **1,631** | **14,618** |
| **Maximum exposure to loss** | **183** | **9,364** | **3,717** | **9,191** | **2,807** | **25,262** |
| **Non-consolidated VIE assets** | **4,511** | **80,982** | **58,780** | **32,314** | **8,071** | **184,658** |
| **2015 (CHF million)** | | | | | | |
| Trading assets | 90 | 6,021 | 871 | 425 | 8 | 7,415 |
| Net loans | 36 | 1,508 | 2,634 | 5,053 | 1,723 | 10,954 |
| Other assets | 0 | 11 | 13 | 0 | 161 | 185 |
| **Total variable interest assets** | **126** | **7,540** | **3,518** | **5,478** | **1,892** | **18,554** |
| **Maximum exposure to loss** | **126** | **12,986** | **3,518** | **11,866** | **2,570** | **31,066** |
| **Non-consolidated VIE assets** | **6,590** | **113,530** | **54,112** | **41,824** | **11,463** | **227,519** |

## 28 Financial instruments

▸ Refer to “Note 29 – Financial instruments” in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 and to “Note 34 – Financial instruments” in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for further information.

## Assets and liabilities measured at fair value on a recurring basis

| end of 6M16 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Assets measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 0 | 318 | 0 | – | – | 318 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 79,627 | 300 | – | – | 79,927 |
| Debt | 465 | 564 | 0 | – | – | 1,029 |
| of which corporates | 0 | 451 | 0 | – | – | 451 |
| Equity | 24,915 | 49 | 0 | – | – | 24,964 |
| Securities received as collateral | 25,380 | 613 | 0 | – | – | 25,993 |
| Debt | 28,274 | 33,944 | 4,456 | – | – | 66,674 |
| of which foreign governments | 28,159 | 5,213 | 308 | – | – | 33,680 |
| of which corporates | 34 | 11,713 | 2,289 | – | – | 14,036 |
| of which RMBS | 0 | 14,249 | 373 | – | – | 14,622 |
| of which CMBS | 0 | 1,950 | 57 | – | – | 2,007 |
| of which CDO | 0 | 794 | 1,429 | – | – | 2,223 |
| Equity | 63,722 | 4,066 | 337 | – | 1,770 | 69,895 |
| Derivatives | 6,913 | 310,949 | 5,051 | (293,409) | – | 29,504 |
| of which interest rate products | 2,873 | 216,422 | 782 | – | – | – |
| of which foreign exchange products | 93 | 60,889 | 217 | – | – | – |
| of which equity/index-related products | 3,944 | 20,318 | 1,181 | – | – | – |
| of which credit derivatives | 0 | 12,055 | 1,580 | – | – | – |
| Other | 2,949 | 3,864 | 4,847 | – | – | 11,660 |
| Trading assets | 101,858 | 352,823 | 14,691 | (293,409) | 1,770 | 177,733 |
| Debt | 1,325 | 669 | 155 | – | – | 2,149 |
| of which foreign governments | 1,325 | 0 | 0 | – | – | 1,325 |
| of which corporates | 0 | 279 | 0 | – | – | 279 |
| of which RMBS | 0 | 360 | 155 | – | – | 515 |
| of which CMBS | 0 | 29 | 0 | – | – | 29 |
| Equity | 2 | 85 | 0 | – | – | 87 |
| Investment securities | 1,327 | 754 | 155 | – | – | 2,236 |
| Private equity | 0 | 0 | 7 | – | 580 | 587 |
| of which equity funds | 0 | 0 | 0 | – | 227 | 227 |
| Hedge funds | 0 | 0 | 0 | – | 274 | 274 |
| of which debt funds | 0 | 0 | 0 | – | 238 | 238 |
| Other equity investments | 14 | 64 | 410 | – | 540 | 1,028 |
| of which private | 14 | 62 | 409 | – | 539 | 1,024 |
| Life finance instruments | 0 | 1 | 1,687 | – | – | 1,688 |
| Other investments | 14 | 65 | 2,104 | – | 1,394 | 3,577 |
| Loans | 0 | 11,840 | 8,991 | – | – | 20,831 |
| of which commercial and industrial loans | 0 | 6,086 | 5,837 | – | – | 11,923 |
| of which financial institutions | 0 | 3,736 | 1,623 | – | – | 5,359 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 111 | – | – | 111 |
| Other assets | 372 | 11,394 | 2,838 | (1,165) | – | 13,439 |
| of which loans held-for-sale | 0 | 6,823 | 2,399 | – | – | 9,222 |
| **Total assets at fair value** | **128,951** | **457,434** | **29,190** | **(294,574)** | **3,164** | **324,165** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | 0 | (112) | – | (184) | (296) |
| Less assets consolidated under ASU 2009-17 [3] | (1) | (1,028) | (270) | – | – | (1,299) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **128,950** | **456,406** | **28,808** | **(294,574)** | **2,980** | **322,570** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

[3] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 6M16 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Liabilities measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | | |
| Due to banks | 0 | 523 | 0 | – | – | 523 |
| Customer deposits | 0 | 3,572 | 327 | – | – | 3,899 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 18,114 | 0 | – | – | 18,114 |
| Debt | 465 | 564 | 0 | – | – | 1,029 |
| of which corporates | 0 | 451 | 0 | – | – | 451 |
| Equity | 24,915 | 49 | 0 | – | – | 24,964 |
| Obligation to return securities received as collateral | 25,380 | 613 | 0 | – | – | 25,993 |
| Debt | 3,553 | 4,430 | 12 | – | – | 7,995 |
| of which foreign governments | 3,488 | 639 | 0 | – | – | 4,127 |
| of which corporates | 32 | 3,570 | 12 | – | – | 3,614 |
| Equity | 16,452 | 189 | 5 | – | 5 | 16,651 |
| Derivatives | 7,693 | 318,986 | 4,716 | (304,349) | – | 27,046 |
| of which interest rate products | 2,829 | 209,076 | 543 | – | – | – |
| of which foreign exchange products | 75 | 71,641 | 436 | – | – | – |
| of which equity/index-related products | 4,787 | 24,798 | 1,236 | – | – | – |
| of which credit derivatives | 0 | 12,130 | 1,904 | – | – | – |
| Trading liabilities | 27,698 | 323,605 | 4,733 | (304,349) | 5 | 51,692 |
| Short-term borrowings | 0 | 2,888 | 108 | – | – | 2,996 |
| Long-term debt | 0 | 60,536 | 12,534 | – | – | 73,070 |
| of which treasury debt over two years | 0 | 3,648 | 0 | – | – | 3,648 |
| of which structured notes over one year and up to two years | 0 | 6,234 | 640 | – | – | 6,874 |
| of which structured notes over two years | 0 | 42,183 | 11,289 | – | – | 53,472 |
| of which other debt instruments over two years | 0 | 2,273 | 597 | – | – | 2,870 |
| of which other subordinated bonds | 0 | 4,219 | 0 | – | – | 4,219 |
| of which non-recourse liabilities | 0 | 1,773 | 8 | – | – | 1,781 |
| Other liabilities | 0 | 9,193 | 1,833 | (929) | – | 10,097 |
| of which failed sales | 0 | 564 | 505 | – | – | 1,069 |
| **Total liabilities at fair value** | **53,078** | **419,044** | **19,535** | **(305,278)** | **5** | **186,384** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2015 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Assets measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 0 | 89 | 0 | – | – | 89 |
| Interest-bearing deposits with banks | 0 | 2 | 0 | – | – | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 83,407 | 158 | – | – | 83,565 |
| Debt | 811 | 493 | 0 | – | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | – | 261 |
| Equity | 27,141 | 66 | 0 | – | – | 27,207 |
| Securities received as collateral | 27,952 | 559 | 0 | – | – | 28,511 |
| Debt | 27,932 | 48,050 | 4,564 | – | – | 80,546 |
| of which foreign governments | 27,710 | 3,737 | 285 | – | – | 31,732 |
| of which corporates | 13 | 15,765 | 1,746 | – | – | 17,524 |
| of which RMBS | 0 | 22,302 | 814 | – | – | 23,116 |
| of which CMBS | 0 | 3,924 | 215 | – | – | 4,139 |
| of which CDO | 0 | 2,317 | 1,298 | – | – | 3,615 |
| Equity | 64,351 | 4,195 | 871 | – | 1,685 | 71,102 |
| Derivatives | 2,625 | 265,362 | 4,831 | (244,239) | – | 28,579 |
| of which interest rate products | 657 | 167,269 | 791 | – | – | – |
| of which foreign exchange products | 104 | 59,742 | 383 | – | – | – |
| of which equity/index-related products | 1,857 | 20,053 | 936 | – | – | – |
| of which credit derivatives | 0 | 16,267 | 1,568 | – | – | – |
| Other | 2,034 | 4,569 | 4,266 | – | – | 10,869 |
| Trading assets | 96,942 | 322,176 | 14,532 | (244,239) | 1,685 | 191,096 |
| Debt | 1,322 | 1,142 | 148 | – | – | 2,612 |
| of which foreign governments | 1,322 | 0 | 0 | – | – | 1,322 |
| of which corporates | 0 | 281 | 0 | – | – | 281 |
| of which RMBS | 0 | 602 | 148 | – | – | 750 |
| of which CMBS | 0 | 259 | 0 | – | – | 259 |
| Equity | 2 | 84 | 0 | – | – | 86 |
| Investment securities | 1,324 | 1,226 | 148 | – | – | 2,698 |
| Private equity | 0 | 0 | 0 | – | 1,033 | 1,033 |
| of which equity funds | 0 | 0 | 0 | – | 428 | 428 |
| Hedge funds | 0 | 0 | 0 | – | 295 | 295 |
| of which debt funds | 0 | 0 | 0 | – | 260 | 260 |
| Other equity investments | 0 | 23 | 365 | – | 840 | 1,228 |
| of which private | 0 | 14 | 365 | – | 840 | 1,219 |
| Life finance instruments | 0 | 2 | 1,669 | – | – | 1,671 |
| Other investments | 0 | 25 | 2,034 | – | 2,168 | 4,227 |
| Loans | 0 | 11,870 | 8,950 | – | – | 20,820 |
| of which commercial and industrial loans | 0 | 5,811 | 5,735 | – | – | 11,546 |
| of which financial institutions | 0 | 4,102 | 1,729 | – | – | 5,831 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 112 | – | – | 112 |
| Other assets | 687 | 18,863 | 7,087 | (1,011) | – | 25,626 |
| of which loans held-for-sale | 0 | 14,378 | 6,768 | – | – | 21,146 |
| **Total assets at fair value** | **126,905** | **438,217** | **33,021** | **(245,250)** | **3,853** | **356,746** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | (9) | (119) | – | (473) | (601) |
| Less assets consolidated under ASU 2009-17 [3] | 0 | (9,212) | (3,558) | – | – | (12,770) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **126,905** | **428,996** | **29,344** | **(245,250)** | **3,380** | **343,375** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

[3] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2015 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Liabilities measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | | |
| Due to banks | 0 | 490 | 0 | – | – | 490 |
| Customer deposits | 0 | 3,402 | 254 | – | – | 3,656 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 32,398 | 0 | – | – | 32,398 |
| Debt | 811 | 493 | 0 | – | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | – | 261 |
| Equity | 27,141 | 66 | 0 | – | – | 27,207 |
| Obligation to return securities received as collateral | 27,952 | 559 | 0 | – | – | 28,511 |
| Debt | 4,100 | 4,289 | 16 | – | – | 8,405 |
| of which foreign governments | 4,050 | 491 | 0 | – | – | 4,541 |
| of which corporates | 30 | 3,597 | 16 | – | – | 3,643 |
| Equity | 16,899 | 154 | 45 | – | 6 | 17,104 |
| Derivatives | 3,062 | 270,135 | 4,554 | (254,206) | – | 23,545 |
| of which interest rate products | 671 | 160,026 | 578 | – | – | – |
| of which foreign exchange products | 82 | 70,382 | 329 | – | – | – |
| of which equity/index-related products | 2,299 | 22,515 | 1,347 | – | – | – |
| of which credit derivatives | 0 | 15,522 | 1,757 | – | – | – |
| Trading liabilities | 24,061 | 274,578 | 4,615 | (254,206) | 6 | 49,054 |
| Short-term borrowings | 0 | 3,040 | 72 | – | – | 3,112 |
| Long-term debt | 0 | 65,879 | 14,123 | – | – | 80,002 |
| of which treasury debt over two years | 0 | 4,590 | 0 | – | – | 4,590 |
| of which structured notes over one year and up to two years | 0 | 6,396 | 364 | – | – | 6,760 |
| of which structured notes over two years | 0 | 38,066 | 9,924 | – | – | 47,990 |
| of which other debt instruments over two years | 0 | 1,435 | 638 | – | – | 2,073 |
| of which other subordinated bonds | 0 | 4,547 | 0 | – | – | 4,547 |
| of which non-recourse liabilities | 0 | 10,642 | 3,197 | – | – | 13,839 |
| Other liabilities | 0 | 9,999 | 2,483 | (737) | – | 11,745 |
| of which failed sales | 0 | 530 | 454 | – | – | 984 |
| **Total liabilities at fair value** | **52,013** | **390,345** | **21,547** | **(254,943)** | **6** | **208,968** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

## Transfers between level 1 and level 2

| in | 6M16 | | 6M15 | |
|---|---|---|---|---|
| | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 5 | 1,667 | 54 | 46 |
| Equity | 285 | 835 | 380 | 491 |
| Derivatives | 2,403 | 0 | 3,290 | 23 |
| **Trading assets** | **2,693** | **2,502** | **3,724** | **560** |
| **Liabilities (CHF million)** | | | | |
| Debt | 2 | 33 | 88 | 21 |
| Equity | 16 | 48 | 53 | 82 |
| Derivatives | 3,007 | 8 | 3,310 | 80 |
| **Trading liabilities** | **3,025** | **89** | **3,451** | **183** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 6M16 | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | 0 | 0 | 0 | 0 | 186 |
| Securities received as collateral | 0 | 0 | 0 | 18 | (18) | 0 |
| Debt | 4,564 | 543 | (625) | 2,617 | (2,573) | 0 |
| of which corporates | 1,746 | 291 | (178) | 1,744 | (1,349) | 0 |
| of which RMBS | 814 | 142 | (381) | 365 | (468) | 0 |
| of which CMBS | 215 | 10 | (9) | 42 | (167) | 0 |
| of which CDO | 1,298 | 48 | (8) | 433 | (320) | 0 |
| Equity | 871 | 86 | (100) | 383 | (828) | 0 |
| Derivatives | 4,831 | 856 | (529) | 0 | 0 | 1,064 |
| of which interest rate products | 791 | 14 | (34) | 0 | 0 | 73 |
| of which equity/index-related products | 936 | 224 | (104) | 0 | 0 | 279 |
| of which credit derivatives | 1,568 | 618 | (380) | 0 | 0 | 514 |
| Other | 4,266 | 668 | (516) | 1,931 | (1,448) | 0 |
| Trading assets | 14,532 | 2,153 | (1,770) | 4,931 | (4,849) | 1,064 |
| Investment securities | 148 | 0 | (36) | 81 | (13) | 0 |
| Equity | 365 | 7 | (1) | 48 | (59) | 0 |
| Life finance instruments | 1,669 | 0 | 0 | 96 | (188) | 0 |
| Other investments | 2,034 | 7 | (1) | 144 | (247) | 0 |
| Loans | 8,950 | 401 | (367) | 23 | (383) | 1,966 |
| of which commercial and industrial loans | 5,735 | 220 | (120) | 0 | (219) | 1,299 |
| of which financial institutions | 1,729 | 65 | (34) | 1 | (141) | 372 |
| Other intangible assets (mortgage servicing rights) | 112 | 0 | 0 | 6 | 0 | 0 |
| Other assets | 7,087 | 313 | (973) | 1,252 | (4,853) | 732 |
| of which loans held-for-sale [2] | 6,768 | 204 | (908) | 1,077 | (4,815) | 732 |
| **Total assets at fair value** | **33,021** | **2,874** | **(3,147)** | **6,455** | **(10,363)** | **3,948** |
| **Liabilities (CHF million)** | | | | | | |
| Customer deposits | 254 | 0 | (39) | 0 | 0 | 126 |
| Obligation to return securities received as collateral | 0 | 0 | 0 | 18 | (18) | 0 |
| Trading liabilities | 4,615 | 775 | (501) | 27 | (28) | 838 |
| of which interest rate derivatives | 578 | 15 | (24) | 0 | 0 | 82 |
| of which foreign exchange derivatives | 329 | 4 | (1) | 0 | 0 | 8 |
| of which equity/index-related derivatives | 1,347 | 132 | (183) | 0 | 0 | 248 |
| of which credit derivatives | 1,757 | 620 | (286) | 0 | 0 | 364 |
| Short-term borrowings | 72 | 20 | (8) | 0 | 0 | 117 |
| Long-term debt | 14,123 | 1,285 | (962) | 0 | 0 | 2,539 |
| of which structured notes over two years | 9,924 | 956 | (947) | 0 | 0 | 2,353 |
| of which non-recourse liabilities | 3,197 | 0 | 0 | 0 | 0 | 25 |
| Other liabilities | 2,483 | 140 | (116) | 114 | (43) | 2 |
| of which failed sales | 454 | 27 | (76) | 105 | (3) | 0 |
| **Total liabilities at fair value** | **21,547** | **2,220** | **(1,626)** | **159** | **(89)** | **3,622** |
| **Net assets/(liabilities) at fair value** | **11,474** | **654** | **(1,521)** | **6,296** | **(10,274)** | **326** |

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

[2] Includes unrealized losses recorded in trading revenues of CHF (71) million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| | | Trading revenues | | Other revenues | | Accumulated other comprehensive income | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | On transfers in / out | On all other | Foreign currency translation impact | **Balance at end of period** |
| | (40) | 0 | 0 | 0 | 0 | 0 | 0 | (4) | 300 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | (11) | (62) | 0 | 2 | 0 | 0 | 1 | 4,456 |
| | 0 | 0 | 36 | 0 | 0 | 0 | 0 | (1) | 2,289 |
| | 0 | (7) | (82) | 0 | 0 | 0 | 0 | (10) | 373 |
| | 0 | 0 | (32) | 0 | 0 | 0 | 0 | (2) | 57 |
| | 0 | 0 | (1) | 0 | 1 | 0 | 0 | (22) | 1,429 |
| | 0 | (39) | (27) | 0 | 0 | 0 | 0 | (9) | 337 |
| | (1,688) | 25 | 525 | 0 | 0 | 0 | 0 | (33) | 5,051 |
| | (101) | 7 | 39 | 0 | 0 | 0 | 0 | (7) | 782 |
| | (286) | 12 | 112 | 0 | 0 | 0 | 0 | 8 | 1,181 |
| | (1,014) | 8 | 287 | 0 | 0 | 0 | 0 | (21) | 1,580 |
| | (189) | (13) | 216 | 0 | 0 | 0 | 0 | (68) | 4,847 |
| | (1,877) | (38) | 652 | 0 | 2 | 0 | 0 | (109) | 14,691 |
| | (85) | (10) | 72 | 0 | 0 | 0 | 0 | (2) | 155 |
| | 0 | 0 | 23 | 0 | 19 | 0 | 0 | 15 | 417 |
| | 0 | 0 | 136 | 0 | 0 | 0 | 0 | (26) | 1,687 |
| | 0 | 0 | 159 | 0 | 19 | 0 | 0 | (11) | 2,104 |
| | (1,443) | (54) | 1 | 0 | 0 | 0 | 0 | (103) | 8,991 |
| | (1,020) | (18) | 14 | 0 | 0 | 0 | 0 | (54) | 5,837 |
| | (306) | 0 | (35) | 0 | 0 | 0 | 0 | (28) | 1,623 |
| | 0 | 0 | 0 | 0 | (4) | 0 | 0 | (3) | 111 |
| | (590) | (47) | (168) | 0 | (3) | 0 | 0 | 88 | 2,838 |
| | (590) | (73) | (84) | 0 | (3) | 0 | 0 | 91 | 2,399 |
| | **(4,035)** | **(149)** | **716** | **0** | **14** | **0** | **0** | **(144)** | **29,190** |
| | (14) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 327 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (1,443) | 71 | 459 | 0 | (37) | 0 | 0 | (43) | 4,733 |
| | (93) | 13 | (22) | 0 | 0 | 0 | 0 | (6) | 543 |
| | (49) | 1 | 148 | 0 | 0 | 0 | 0 | (4) | 436 |
| | (198) | 28 | (141) | 0 | 0 | 0 | 0 | 3 | 1,236 |
| | (964) | 26 | 411 | 0 | 0 | 0 | 0 | (24) | 1,904 |
| | (100) | 0 | 11 | (3) | 0 | 0 | 0 | (1) | 108 |
| | (4,242) | (94) | 322 | 0 | 0 | 0 | (229) | (208) | 12,534 |
| | (658) | (95) | 157 | 0 | 0 | 0 | (229) | (172) | 11,289 |
| | (3,217) | 0 | 25 | 0 | 0 | 0 | 0 | (22) | 8 |
| | (548) | (54) | (68) | (1) | (51) | 0 | 0 | (25) | 1,833 |
| | 0 | 0 | 7 | 0 | 0 | 0 | 0 | (9) | 505 |
| | **(6,347)** | **(77)** | **724** | **(4)** | **(88)** | **0** | **(229)** | **(277)** | **19,535** |
| | **2,312** | **(72)** | **(8)** | **4** | **102** | **0** | **229** | **133** | **9,655** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 6M15 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 77 | 0 | 0 | 0 |
| Debt | 4,461 | 434 | (681) | 1,284 |
| of which corporates | 1,430 | 114 | (131) | 491 |
| of which RMBS | 612 | 259 | (300) | 476 |
| of which CMBS | 257 | 20 | (47) | 139 |
| of which CDO | 1,421 | 17 | (161) | 158 |
| Equity | 896 | 114 | (273) | 561 |
| Derivatives | 6,823 | 1,130 | (593) | 0 |
| of which interest rate products | 1,803 | 23 | (198) | 0 |
| of which equity/index-related products | 1,063 | 306 | (91) | 0 |
| of which credit derivatives | 2,569 | 656 | (304) | 0 |
| Other | 4,323 | 707 | (540) | 2,464 |
| Trading assets | 16,503 | 2,385 | (2,087) | 4,309 |
| Investment securities | 3 | 0 | (65) | 215 |
| Equity | 554 | 0 | 0 | 8 |
| Life finance instruments | 1,834 | 0 | 0 | 100 |
| Other investments | 2,388 | 0 | 0 | 108 |
| Loans | 9,353 | 631 | (750) | 334 |
| of which commercial and industrial loans | 5,853 | 360 | (154) | 12 |
| of which financial institutions | 1,494 | 240 | (132) | 26 |
| Other intangible assets (mortgage servicing rights) | 70 | 0 | 0 | 10 |
| Other assets | 7,468 | 1,260 | (2,460) | 2,880 |
| of which loans held-for-sale | 6,851 | 1,259 | (2,415) | 2,832 |
| **Total assets at fair value** | **35,862** | **4,276** | **(5,362)** | **7,856** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 100 | 15 | (20) | 0 |
| Trading liabilities | 6,417 | 971 | (1,039) | 37 |
| of which interest rate derivatives | 1,202 | 27 | (233) | 0 |
| of which foreign exchange derivatives | 560 | 2 | 0 | 0 |
| of which equity/index-related derivatives | 1,466 | 44 | (468) | 0 |
| of which credit derivatives | 2,760 | 766 | (332) | 0 |
| Short-term borrowings | 95 | 49 | (10) | 0 |
| Long-term debt | 14,608 | 1,189 | (2,724) | 0 |
| of which structured notes over two years | 10,267 | 454 | (1,901) | 0 |
| of which non-recourse liabilities | 2,952 | 626 | (655) | 0 |
| Other liabilities | 3,358 | 45 | (1,128) | 104 |
| of which failed sales | 616 | 4 | (4) | 91 |
| **Total liabilities at fair value** | **24,578** | **2,269** | **(4,921)** | **141** |
| **Net assets/(liabilities) at fair value** | **11,284** | **2,007** | **(441)** | **7,715** |

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| 0 | 74 | 0 | 0 | 0 | 0 | 0 | (5) | 146 |
| (1,661) | 0 | 0 | (5) | 208 | 0 | 0 | (350) | 3,690 |
| (672) | 0 | 0 | (4) | 156 | 0 | 0 | (147) | 1,237 |
| (483) | 0 | 0 | (2) | 58 | 0 | 0 | (35) | 585 |
| (169) | 0 | 0 | 2 | (31) | 0 | 0 | (13) | 158 |
| (203) | 0 | 0 | (1) | 42 | 0 | 0 | (78) | 1,195 |
| (222) | 0 | 0 | 13 | 43 | 0 | 0 | (56) | 1,076 |
| 0 | 848 | (2,786) | (27) | (172) | 0 | 2 | (369) | 4,856 |
| 0 | 281 | (364) | (6) | (301) | 0 | 0 | (97) | 1,141 |
| 0 | 191 | (503) | 2 | 26 | 0 | 2 | (58) | 938 |
| 0 | 170 | (1,472) | (24) | (181) | 0 | 0 | (122) | 1,292 |
| (2,871) | 0 | (116) | 6 | 154 | 0 | 0 | (231) | 3,896 |
| (4,754) | 848 | (2,902) | (13) | 233 | 0 | 2 | (1,006) | 13,518 |
| (2) | 0 | (8) | 7 | 1 | 0 | 0 | (3) | 148 |
| (65) | 0 | 0 | 0 | 0 | 0 | (17) | (43) | 437 |
| (163) | 0 | 0 | 0 | (45) | 0 | 0 | (101) | 1,625 |
| (228) | 0 | 0 | 0 | (45) | 0 | (17) | (144) | 2,062 |
| (665) | 1,295 | (1,391) | 0 | (5) | 0 | 13 | (546) | 8,269 |
| (502) | 825 | (763) | 0 | 23 | 0 | 5 | (353) | 5,306 |
| (21) | 452 | (132) | 0 | (28) | 0 | 8 | (87) | 1,820 |
| 0 | 0 | 0 | 0 | 6 | 0 | 0 | (5) | 81 |
| (2,359) | 478 | (960) | (2) | (131) | 0 | (13) | (508) | 5,653 |
| (2,242) | 478 | (960) | 1 | (21) | 0 | (13) | (479) | 5,291 |
| **(8,008)** | **2,695** | **(5,261)** | **(8)** | **59** | **0** | **(15)** | **(2,217)** | **29,877** |
| 0 | 0 | (28) | 0 | 0 | 0 | 0 | (9) | 58 |
| (18) | 588 | (2,054) | 27 | (175) | (2) | 1 | (340) | 4,413 |
| 0 | 95 | (142) | (3) | 17 | 0 | 1 | (67) | 897 |
| 0 | 3 | (43) | 0 | (210) | 0 | 0 | (27) | 285 |
| 0 | 129 | (190) | 43 | 214 | 0 | 0 | (87) | 1,151 |
| 0 | 164 | (1,567) | (13) | (188) | (2) | 0 | (131) | 1,457 |
| 0 | 175 | (90) | 0 | 7 | 0 | 0 | (8) | 218 |
| 0 | 4,926 | (3,108) | 6 | (185) | 0 | 0 | (865) | 13,847 |
| 0 | 3,688 | (2,209) | 8 | (125) | 0 | 0 | (619) | 9,563 |
| 0 | 552 | (470) | (2) | (52) | 0 | 0 | (165) | 2,786 |
| (72) | 0 | (177) | 0 | (83) | 7 | 210 | (200) | 2,064 |
| (46) | 0 | 0 | 2 | (115) | 0 | 0 | (34) | 514 |
| **(90)** | **5,689** | **(5,457)** | **33** | **(436)** | **5** | **211** | **(1,422)** | **20,600** |
| **(7,918)** | **(2,994)** | **196** | **(41)** | **495** | **(5)** | **(226)** | **(795)** | **9,277** |

## Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | (80) | 106 | **26** [1] | 454 | (231) | **223** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (294) | 13 | **(281)** | (464) | (26) | **(490)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

## Quantitative information about level 3 assets at fair value

| **end of 6M16** | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 300 | Discounted cash flow | Funding spread, in bp | 10 | 450 | 215 |
| Debt | 4,456 | | | | | |
| of which corporates | 2,289 | | | | | |
| of which | 467 | Option model | Correlation, in % | (85) | 98 | 22 |
| of which | 1,440 | Market comparable | Price, in % | 0 | 131 | 92 |
| of which | 47 | Discounted cash flow | Credit spread, in bp | 140 | 1,169 | 292 |
| of which RMBS | 373 | Discounted cash flow | Discount rate, in % | 0 | 39 | 8 |
| | | | Prepayment rate, in % | 0 | 28 | 9 |
| | | | Default rate, in % | 0 | 15 | 4 |
| | | | Loss severity, in % | 0 | 100 | 55 |
| of which CMBS | 57 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 0 | 11 | 5 |
| | | | Prepayment rate, in % | 0 | 15 | 5 |
| of which CDO | 1,429 | | | | | |
| of which | 206 | Discounted cash flow | Discount rate, in % | 5 | 32 | 16 |
| | | | Prepayment rate, in % | 0 | 20 | 11 |
| | | | Credit spread, in bp | 166 | 305 | 213 |
| | | | Default rate, in % | 0 | 8 | 2 |
| | | | Loss severity, in % | 3 | 100 | 62 |
| of which | 805 | Market comparable | Price, in % | 207 | 207 | 207 |
| Equity | 337 | Market comparable | EBITDA multiple | 0 | 10 | 6 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 6M16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 5,051 | | | | | |
| of which interest rate products | 782 | Option model | Correlation, in % | 16 | 100 | 49 |
| | | | Prepayment rate, in % | 1 | 36 | 14 |
| | | | Volatility skew, in % | (8) | 0 | (3) |
| of which equity/index-related products | 1,181 | Option model | Correlation, in % | (85) | 98 | 21 |
| | | | Volatility, in % | 0 | 144 | 18 |
| | | | Buyback probability, in % [2] | 50 | 100 | 63 |
| | | | Gap risk, in % [3] | 0 | 5 | 2 |
| of which credit derivatives | 1,580 | Discounted cash flow | Credit spread, in bp | 0 | 2,799 | 398 |
| | | | Recovery rate, in % | 0 | 93 | 23 |
| | | | Discount rate, in % | 3 | 55 | 20 |
| | | | Default rate, in % | 0 | 33 | 6 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 43 | 97 | 92 |
| | | | Prepayment rate, in % | 0 | 12 | 5 |
| Other | 4,847 | | | | | |
| of which | 3,551 | Market comparable | Price, in % | 0 | 102 | 41 |
| of which | 941 | Discounted cash flow | Market implied life expectancy, in years | 3 | 17 | 9 |
| Trading assets | 14,691 | | | | | |
| Investment securities | 155 | – | – | – | – | – |
| Private equity | 7 | – | – | – | – | – |
| Other equity investments | 410 | – | – | – | – | – |
| Life finance instruments | 1,687 | Discounted cash flow | Market implied life expectancy, in years | 2 | 19 | 7 |
| Other investments | 2,104 | | | | | |
| Loans | 8,991 | | | | | |
| of which commercial and industrial loans | 5,837 | | | | | |
| of which | 4,783 | Discounted cash flow | Credit spread, in bp | 5 | 5,400 | 431 |
| of which | 995 | Market comparable | Price, in % | 0 | 106 | 64 |
| of which financial institutions | 1,623 | | | | | |
| of which | 1,546 | Discounted cash flow | Credit spread, in bp | 78 | 846 | 333 |
| of which | 14 | Market comparable | Price, in % | 0 | 70 | 70 |
| Other intangible assets (mortgage servicing rights) | 111 | – | – | – | – | – |
| Other assets | 2,838 | | | | | |
| of which loans held-for-sale | 2,399 | | | | | |
| of which | 274 | Vendor price | Price, in % | 25 | 99 | 97 |
| of which | 828 | Discounted cash flow | Credit spread, in bp | 117 | 1,845 | 374 |
| | | | Recovery rate, in % | 0 | 1 | 1 |
| of which | 945 | Market comparable | Price, in % | 0 | 101 | 65 |
| **Total level 3 assets at fair value** | **29,190** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2015 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | Discounted cash flow | Funding spread, in bp | 350 | 475 | 361 |
| Debt | 4,564 | | | | | |
| of which corporates | 1,746 | | | | | |
| of which | 240 | Option model | Correlation, in % | (87) | 99 | 17 |
| of which | 836 | Market comparable | Price, in % | 0 | 128 | 29 |
| of which | 285 | Discounted cash flow | Credit spread, in bp | 134 | 1,408 | 493 |
| of which RMBS | 814 | Discounted cash flow | Discount rate, in % | 1 | 36 | 8 |
| | | | Prepayment rate, in % | 0 | 27 | 9 |
| | | | Default rate, in % | 0 | 20 | 3 |
| | | | Loss severity, in % | 0 | 100 | 50 |
| of which CMBS | 215 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 0 | 23 | 8 |
| | | | Prepayment rate, in % | 0 | 16 | 3 |
| | | | Default rate, in % | 0 | 32 | 1 |
| | | | Loss severity, in % | 0 | 75 | 4 |
| of which CDO | 1,298 | | | | | |
| of which | 66 | Vendor price | Price, in % | 0 | 100 | 96 |
| of which | 329 | Discounted cash flow | Discount rate, in % | 1 | 25 | 11 |
| | | | Prepayment rate, in % | 0 | 20 | 14 |
| | | | Credit spread, in bp | 293 | 336 | 309 |
| | | | Default rate, in % | 0 | 10 | 2 |
| | | | Loss severity, in % | 0 | 100 | 46 |
| of which | 807 | Market comparable | Price, in % | 214 | 214 | 214 |
| Equity | 871 | | | | | |
| of which | 342 | Option model | Volatility, in % | 2 | 253 | 29 |
| of which | 471 | Market comparable | EBITDA multiple | 3 | 12 | 8 |
| | | | Price, in % | 0 | 202 | 96 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2015 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 4,831 | | | | | |
| of which interest rate products | 791 | Option model | Correlation, in % | 17 | 100 | 63 |
| | | | Prepayment rate, in % | 1 | 36 | 16 |
| | | | Volatility skew, in % | (8) | 0 | (2) |
| | | | Mean reversion, in % [2] | 5 | 10 | 10 |
| | | | Credit spread, in bp | 130 | 1,687 | 330 |
| of which equity/index-related products | 936 | | | | | |
| of which | 778 | Option model | Correlation, in % | (87) | 99 | 23 |
| | | | Volatility, in % | 0 | 253 | 26 |
| of which | 109 | Market comparable | EBITDA multiple | 4 | 10 | 7 |
| | | | Price, in % | 97 | 97 | 97 |
| of which credit derivatives | 1,568 | Discounted cash flow | Credit spread, in bp | 1 | 2,349 | 331 |
| | | | Recovery rate, in % | 0 | 60 | 23 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 35 | 6 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 43 | 97 | 85 |
| | | | Prepayment rate, in % | 0 | 12 | 4 |
| | | | Funding spread, in bp | 61 | 68 | 67 |
| Other | 4,266 | | | | | |
| of which | 2,859 | Market comparable | Price, in % | 0 | 106 | 45 |
| of which | 865 | Discounted cash flow | Market implied life expectancy, in years | 3 | 18 | 8 |
| Trading assets | 14,532 | | | | | |
| Investment securities | 148 | – | – | – | – | – |
| Other equity investments | 365 | – | – | – | – | – |
| Life finance instruments | 1,669 | Discounted cash flow | Market implied life expectancy, in years | 2 | 20 | 8 |
| Other investments | 2,034 | | | | | |
| Loans | 8,950 | | | | | |
| of which commercial and industrial loans | 5,735 | | | | | |
| of which | 3,799 | Discounted cash flow | Credit spread, in bp | 70 | 2,528 | 474 |
| of which | 1,146 | Market comparable | Price, in % | 0 | 106 | 65 |
| of which financial institutions | 1,729 | | | | | |
| of which | 1,451 | Discounted cash flow | Credit spread, in bp | 84 | 826 | 359 |
| of which | 109 | Market comparable | Price, in % | 0 | 100 | 98 |
| Other intangible assets (mortgage servicing rights) | 112 | – | – | – | – | – |
| Other assets | 7,087 | | | | | |
| of which loans held-for-sale | 6,768 | | | | | |
| of which | 3,594 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 722 | Discounted cash flow | Credit spread, in bp | 99 | 3,220 | 515 |
| | | | Recovery rate, in % | 1 | 1 | 1 |
| of which | 2,251 | Market comparable | Price, in % | 0 | 104 | 76 |
| **Total level 3 assets at fair value** | **33,021** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value

| end of 6M16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 327 | – | – | – | – | – |
| Trading liabilities | 4,733 | | | | | |
| of which interest rate derivatives | 543 | Option model | Basis spread, in bp | (16) | 73 | 39 |
| | | | Correlation, in % | 16 | 100 | 82 |
| | | | Prepayment rate, in % | 0 | 36 | 7 |
| | | | Gap risk, in % [2] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 436 | Option model | Correlation, in % | (10) | 70 | 55 |
| | | | Prepayment rate, in % | 25 | 36 | 30 |
| of which equity/index-related derivatives | 1,236 | Option model | Correlation, in % | (85) | 98 | 21 |
| | | | Volatility, in % | 2 | 144 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 63 |
| of which credit derivatives | 1,904 | Discounted cash flow | Credit spread, in bp | 0 | 2,799 | 274 |
| | | | Discount rate, in % | 3 | 55 | 20 |
| | | | Default rate, in % | 0 | 33 | 6 |
| | | | Recovery rate, in % | 2 | 82 | 25 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 16 | 96 | 64 |
| | | | Prepayment rate, in % | 0 | 14 | 5 |
| Short-term borrowings | 108 | – | – | – | – | – |
| Long-term debt | 12,534 | | | | | |
| of which structured notes over two years | 11,289 | | | | | |
| of which | 10,396 | Option model | Correlation, in % | (85) | 99 | 22 |
| | | | Volatility, in % | 2 | 144 | 30 |
| | | | Buyback probability, in % [3] | 50 | 100 | 63 |
| | | | Gap risk, in % [2] | 0 | 2 | 1 |
| | | | Mean reversion, in % [4] | (14) | (1) | (7) |
| of which | 667 | Discounted cash flow | Credit spread, in bp | 1 | 2,011 | 236 |
| Other liabilities | 1,833 | | | | | |
| of which failed sales | 505 | | | | | |
| of which | 424 | Market comparable | Price, in % | 0 | 100 | 79 |
| of which | 37 | Discounted cash flow | Discount rate, in % | 6 | 43 | 25 |
| **Total level 3 liabilities at fair value** | **19,535** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Risk of unexpected large declines in the underlying values between collateral settlement dates.
[3] Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.
[4] Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value (continued)

| end of 2015 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 254 | – | – | – | – | – |
| Trading liabilities | 4,615 | | | | | |
| of which interest rate derivatives | 578 | Option model | Basis spread, in bp | (7) | 53 | 25 |
| | | | Correlation, in % | 17 | 100 | 75 |
| | | | Mean reversion, in % [2] | 5 | 10 | 8 |
| | | | Prepayment rate, in % | 0 | 36 | 9 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 329 | Option model | Correlation, in % | (10) | 70 | 54 |
| | | | Prepayment rate, in % | 24 | 36 | 30 |
| of which equity/index-related derivatives | 1,347 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 26 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| of which credit derivatives | 1,757 | Discounted cash flow | Credit spread, in bp | 1 | 1,687 | 275 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 33 | 5 |
| | | | Recovery rate, in % | 8 | 60 | 27 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 17 | 95 | 80 |
| | | | Funding spread, in bp | 51 | 68 | 68 |
| | | | Prepayment rate, in % | 0 | 12 | 5 |
| Short-term borrowings | 72 | – | – | – | – | – |
| Long-term debt | 14,123 | | | | | |
| of which structured notes over two years | 9,924 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 28 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| | | | Gap risk, in % [3] | 0 | 3 | 1 |
| | | | Credit spread, in bp | 153 | 182 | 177 |
| of which non-recourse liabilities | 3,197 | | | | | |
| of which | 3,183 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 14 | Market comparable | Price, in % | 0 | 87 | 9 |
| Other liabilities | 2,483 | | | | | |
| of which failed sales | 454 | | | | | |
| of which | 379 | Market comparable | Price, in % | 0 | 106 | 90 |
| of which | 68 | Discounted cash flow | Credit spread, in bp | 571 | 1,687 | 1,425 |
| | | | Discount rate, in % | 7 | 23 | 15 |
| **Total level 3 liabilities at fair value** | **21,547** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Risk of unexpected large declines in the underlying values between collateral settlement dates.
[4] Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.

## Fair value, unfunded commitments and term of redemption conditions

| end of | 6M16 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 |
| Equity funds | 69 | 1,701 [1] | 1,770 | 0 | 79 | 1,606 [2] | 1,685 | 0 |
| Equity funds sold short | 0 | (5) | (5) | 0 | 0 | (6) | (6) | 0 |
| Total funds held in trading assets and liabilities | 69 | 1,696 | 1,765 | 0 | 81 | 1,600 | 1,681 | 0 |
| Debt funds | 200 | 38 | 238 | 0 | 184 | 76 | 260 | 1 |
| Equity funds | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 35 | 35 | 0 | 0 | 35 | 35 | 0 |
| Hedge funds | 201 | 73 [3] | 274 | 0 | 184 | 111 [4] | 295 | 1 |
| Debt funds | 7 | 0 | 7 | 5 | 11 | 0 | 11 | 17 |
| Equity funds | 227 | 0 | 227 | 55 | 428 | 0 | 428 | 114 |
| Real estate funds | 221 | 0 | 221 | 57 | 282 | 0 | 282 | 76 |
| Others | 125 | 0 | 125 | 65 | 312 | 0 | 312 | 141 |
| Private equities | 580 | 0 | 580 | 182 | 1,033 | 0 | 1,033 | 348 |
| Equity method investments | 444 | 96 | 540 | 76 | 660 | 196 | 856 | 100 |
| Total funds held in other investments | 1,225 | 169 | 1,394 | 258 | 1,877 | 307 | 2,184 | 449 |
| **Total fair value** | **1,294** [5] | **1,865** [6] | **3,159** | **258** [7] | **1,958** [5] | **1,907** [6] | **3,865** | **449** [7] |

[1] 46% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 29% is redeemable on an annual basis with a notice period of more than 60 days, 18% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 7% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[2] 40% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 31% is redeemable on an annual basis with a notice period of more than 60 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 6% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[3] 72% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 18% is redeemable on demand with a notice period primarily of less than 30 days, 7% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

[4] 87% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, 5% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

[5] Includes CHF 179 million and CHF 464 million attributable to noncontrolling interests in 6M16 and 2015, respectively.

[6] Includes CHF 5 million and CHF 9 million attributable to noncontrolling interests in 6M16 and 2015, respectively.

[7] Includes CHF 51 million and CHF 176 million attributable to noncontrolling interests in 6M16 and 2015, respectively.

## Nonrecurring fair value changes

| end of | **6M16** | 2015 |
|---|---|---|
| **Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.2** | **0.1** |
| of which level 2 | 0.2 | 0.1 |

## Difference between the aggregate fair value and the aggregate unpaid principal balances on loans and financial instruments

| end of | 6M16 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 1,364 | 5,106 | (3,742) | 1,628 | 5,019 | (3,391) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 0 | 0 | 0 | 2 | 2 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 79,927 | 79,790 | 137 | 83,565 | 83,397 | 168 |
| Loans | 20,831 | 21,858 | (1,027) | 20,820 | 22,289 | (1,469) |
| Other assets [1] | 12,137 | 16,323 | (4,186) | 23,906 | 30,308 | (6,402) |
| Due to banks and customer deposits | (1,073) | (960) | (113) | (913) | (826) | (87) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (18,114) | (18,100) | (14) | (32,398) | (32,381) | (17) |
| Short-term borrowings | (2,996) | (3,063) | 67 | (3,112) | (3,263) | 151 |
| Long-term debt | (73,070) | (77,903) | 4,833 | (80,002) | (84,351) | 4,349 |
| Other liabilities | (1,069) | (2,609) | 1,540 | (984) | (2,619) | 1,635 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| in | 6M16 | 6M15 |
|---|---|---|
| | Net gains/ (losses) | Net gains/ (losses) |
| **Financial instruments (CHF million)** | | |
| Interest-bearing deposits with banks | 1 [1] | (19) [2] |
| of which related to credit risk | 0 | (3) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 670 [1] | 640 [1] |
| Other investments | 224 [2] | (39) [2] |
| of which related to credit risk | (5) | (2) |
| Loans | 912 [1] | 442 [1] |
| of which related to credit risk | (106) | 45 |
| Other assets | (282) [2] | 355 [1] |
| of which related to credit risk | (264) | (64) |
| Due to banks and customer deposits | (65) [2] | 36 [2] |
| of which related to credit risk | (5) | 27 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (83) [1] | 47 [2] |
| Short-term borrowings | 437 [2] | (18) [2] |
| Long-term debt | (1,446) [2] | 647 [2] |
| of which related to credit risk | – | 287 [3] |
| Other liabilities | 319 [2] | 188 [2] |
| of which related to credit risk | 223 | 10 |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Changes in fair value related to credit risk are due to the change in the Bank's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes.

## Own credit gains/(losses) on fair value option elected instruments recorded in AOCI

| | Gains/(losses) recorded into AOCI [1] | | Gains/(losses) recorded in AOCI transferred to net income [1] |
|---|---|---|---|
| in | **6M16** | **Cumulatively** | **6M16** |
| **Financial instruments (CHF million)** | | | |
| Deposits | (1) | 0 | 0 |
| Short-term borrowings | (1) | (1) | 0 |
| Long-term debt | 2 | 1,763 | 0 |
| of which treasury debt over two years | (22) | 696 | 0 |
| of which structured notes over two years | 30 | 1,058 | 0 |
| **Total** | **0** | **1,762** | **0** |

[1] Amounts are reflected gross of tax.

## Carrying value and fair value of financial instruments not carried at fair value

| | Carrying value | Fair value | | | |
|---|---|---|---|---|---|
| end of | | Level 1 | Level 2 | Level 3 | Total |
| **6M16 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 42,509 | 0 | 42,509 | 0 | 42,509 |
| Loans | 232,885 | 7 | 234,524 | 6,406 | 240,937 |
| Other financial assets [1] | 180,004 | 111,844 | 66,548 | 1,828 | 180,220 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 355,338 | 193,967 | 161,312 | 0 | 355,279 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 14,385 | 0 | 14,351 | 0 | 14,351 |
| Short-term borrowings | 8,182 | 0 | 8,184 | 0 | 8,184 |
| Long-term debt | 121,533 | 0 | 122,463 | 594 | 123,057 |
| Other financial liabilities [2] | 68,064 | 2,292 | 65,321 | 460 | 68,073 |
| **2015 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 39,871 | 0 | 39,872 | 0 | 39,872 |
| Loans | 231,395 | 4 | 232,391 | 6,150 | 238,545 |
| Other financial assets [1] | 150,743 | 90,740 | 58,456 | 1,796 | 150,992 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 349,015 | 197,645 | 151,774 | 0 | 349,419 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 14,200 | 0 | 14,401 | 0 | 14,401 |
| Short-term borrowings | 5,546 | 0 | 5,545 | 0 | 5,545 |
| Long-term debt | 112,091 | 0 | 112,638 | 778 | 113,416 |
| Other financial liabilities [2] | 63,970 | 32 | 63,496 | 578 | 64,106 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 29 Assets pledged and collateral

▸ Refer to "Note 30 – Assets pledged and collateral" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 and to "Note 35 – Assets pledged and collateral" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2015 for further information.

### Assets pledged

| end of | 6M16 | 2015 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 111,200 | 130,983 |
| of which encumbered | 80,600 | 91,278 |

### Collateral

| end of | 6M16 | 2015 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 386,480 | 422,659 |
| of which sold or repledged | 184,548 | 186,298 |

## 30 Litigation

▸ Refer to "Note 31 – Litigation" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q16 for further information.



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

# Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

July 28, 2016

Commission File Number 001-15244

# CREDIT SUISSE GROUP AG
(Translation of registrant's name into English)

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

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

# Introduction

On July 28, 2016, the Credit Suisse Financial Report 2Q16 was published. A copy of the Financial Report is attached as an exhibit to this report on Form 6-K. This report on Form 6-K (including the exhibits hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and the Registration Statements on Form S-8 (file no. 333-101259 and file no. 333-208152), and (ii) shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended, except, in the case of both (i) and (ii), the sections of the attached Financial Report entitled "Message from the Chairman and the Chief Executive Officer", "Investor information" and "Financial calendar and contacts".

Credit Suisse Group AG files an annual report on Form 20-F and furnishes or files quarterly reports, including unaudited interim financial information, and other reports on Form 6-K with the US Securities and Exchange Commission (SEC) pursuant to the requirements of the Securities Exchange Act of 1934, as amended. The SEC reports of Credit Suisse Group AG are available to the public over the internet at the SEC's website at www.sec.gov and from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 (telephone 1-800-SEC-0330). Credit Suisse Group AG's SEC reports are also available under "Investor Relations" on its website at www.credit-suisse.com and at the offices of the New York Stock Exchange, 20 Broad Street, New York, NY 10005.

Unless the context otherwise requires, references herein to "Credit Suisse Group," "Credit Suisse," "the Group," "we," "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries and the term "the Bank" means Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

SEC regulations require certain information to be included in registration statements relating to securities offerings. Such additional information about the Group is included in this report on Form 6-K, which should be read together with the Group's annual report on Form 20-F for the year ended December 31, 2015 (Credit Suisse 2015 20-F), the financial report for the first quarter of 2016, furnished to or filed with the SEC on Form 6-K on May 10, 2016, and the financial report for the second quarter of 2016, furnished to or filed with the SEC as Exhibit 99.1 hereto.

References herein to "CHF" are to Swiss francs.

# Forward-looking statements

This Form 6-K and the information incorporated by reference in this Form 6-K include statements that constitute forward-looking statements. In addition, in the future the Group and others on its behalf may make statements that constitute forward-looking statements.

When evaluating forward-looking statements, you should carefully consider the cautionary statement regarding forward-looking information, the risk factors and other information set forth in the Credit Suisse 2015 20-F, and subsequent annual reports on Form 20-F filed by the Group with the SEC and the Group's reports on Form 6-K furnished to or filed with the SEC, and other uncertainties and events.

# Operating and financial review and prospects

SEC regulations require that a discussion of the results for the first six months of the current year compared to the first six months of the previous year be included in registration statements relating to securities offerings. The following discussion of the Group's results for the six months ended June 30, 2016 (6M16) compared to the six months ended June 30, 2015 (6M15) supplements, and should be read in conjunction with, the Group's financial reports for the first and second quarters of 2016. The Group's financial report for the second quarter of 2016 (Credit Suisse Financial Report 2Q16), filed as Exhibit 99.1 hereto, includes unaudited financial information for 6M16 and 6M15.

# Credit Suisse

Credit Suisse includes the results of our six reporting segments, including the Strategic Resolution Unit, and the Corporate Center. The Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses and revenues that have not been allocated to the segments. It also includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses.

In managing the business, revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense from financing and hedging positions. For this reason, individual revenue categories may not be indicative of performance.

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

## Overview of Results

| in / end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **6M16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **2,693** | **2,318** | **1,818** | **2,875** | **931** | **15** | **10,650** | **(904)** | **9,746** |
| **Provision for credit losses** | **15** | **14** | **(19)** | **6** | **29** | **(1)** | **44** | **78** | **122** |
| Compensation and benefits | 966 | 1,041 | 823 | 1,449 | 595 | (30) | 4,844 | 372 | 5,216 |
| Total other operating expenses | 827 | 718 | 544 | 1,464 | 234 | 248 | 4,035 | 658 | 4,693 |
| of which restructuring expenses | 44 | 23 | 11 | 150 | 19 | 0 | 247 | 99 | 346 |
| **Total operating expenses** | **1,793** | **1,759** | **1,367** | **2,913** | **829** | **218** | **8,879** | **1,030** | **9,909** |
| **Income/(loss) before taxes** | **885** | **545** | **470** | **(44)** | **73** | **(202)** | **1,727** | **(2,012)** | **(285)** |
| **6M15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **2,862** | **2,286** | **2,128** | **4,077** | **967** | **557** | **12,877** | **725** | **13,602** |
| **Provision for credit losses** | **56** | **1** | **8** | **0** | **0** | **0** | **65** | **16** | **81** |
| Compensation and benefits | 981 | 1,086 | 763 | 1,645 | 670 | 141 | 5,286 | 604 | 5,890 |
| Total other operating expenses | 914 | 649 | 525 | 1,314 | 199 | 204 | 3,805 | 659 | 4,464 |
| of which restructuring expenses | – | – | – | – | – | – | – | – | – |
| **Total operating expenses** | **1,895** | **1,735** | **1,288** | **2,959** | **869** | **345** | **9,091** | **1,263** | **10,354** |
| **Income/(loss) before taxes** | **911** | **550** | **832** | **1,118** | **98** | **212** | **3,721** | **(554)** | **3,167** |

## Results summary

In 6M16, Credit Suisse reported a loss attributable to shareholders of CHF 132 million compared to net income attributable to shareholders of CHF 2,105 million in 6M15.

**Net revenues** of CHF 9,746 million decreased 28% compared to 6M15, primarily reflecting lower net revenues in the Strategic Resolution Unit, Global Markets and Corporate Center.

**Provision for credit losses** of CHF 122 million primarily reflected net provisions of CHF 78 million in the Strategic Resolution Unit, CHF 29 million in Investment Banking & Capital Markets, and CHF 15 million in Swiss Universal Bank. The net increase in provision for credit losses of CHF 41 million from CHF 81 million in 6M15 was mainly related to increases of CHF 62 million in the Strategic Resolution Unit and CHF 29 million in Investment Banking & Capital Markets, partially offset by a decrease of CHF 41 million in Swiss Universal Banking.

**Total operating expenses** of CHF 9,909 million decreased 4% compared to 6M15, primarily reflecting a 11% decrease in compensation and benefits, mainly due to reduced discretionary compensation expenses and lower deferred compensation expenses from prior-year awards, reflecting a lower deferral rate, and slightly lower general and administrative expenses, mainly reflecting lower other general and administrative expenses, such as dues and fees and non-income taxes, mostly offset by an increase in professional services expenses. In addition, we incurred CHF 346 million of restructuring expenses in 6M16 in connection with our new strategy, of which CHF 232 million related to severance and other compensation expenses.

**Income tax credit** of CHF 158 million recorded in 6M16 mainly reflected the impact of the geographical mix of results and the impact of a deferred tax asset re-assessment in Switzerland. Overall, net deferred tax assets increased CHF 146 million to CHF 6,271 million as of the end of 6M16 compared to the end of 2015, mainly driven by the deferred tax asset re-assessment. Deferred tax assets on net operating losses increased CHF 840 million to CHF 2,594 million during 6M16. The Credit Suisse effective tax rate was 55.4% in 6M16, compared to 33.7% in 6M15.

## Segment results

In 6M16, **Swiss Universal Bank** reported income before taxes of CHF 885 million and net revenues of CHF 2,693 million. Compared to 6M15, net revenues were 6% lower, mainly due to lower transaction-based revenues and lower recurring commissions and fees, including the impact of CHF 148 million from the deconsolidation of the cards issuing business in 2015, partially offset by higher net interest income. Transaction-based revenues decreased 19%, reflecting significantly lower fees from foreign exchange client business, significantly lower brokerage and product issuing fees and lower sales and trading revenues reflecting lower client activity. 6M15 included higher client activity following the Swiss National Bank (SNB) actions taken in January 2015. Recurring commissions and fees were 14% lower primarily reflecting the CHF 115 million impact from the deconsolidation of the cards issuing business and the impact of lower average assets under management. Net interest income increased 9% compared to 6M15, mainly driven by improved loan margins on stable average loan volumes and stable deposit margins on lower average deposit volumes.

Total operating expenses were 5% lower compared to 6M15 with lower general and administrative expenses, reflecting the impact from the deconsolidation of the cards issuing business, and slightly lower compensation and benefits, partly offset by restructuring expenses of CHF 44 million in connection with the implementation of the new strategy.

In 6M16, **International Wealth Management** reported income before taxes of CHF 545 million and net revenues of CHF 2,318 million. Net revenues were stable compared to 6M15, reflecting significantly higher net interest income in Private Banking, partially offset by lower transaction- and performance-based revenues and slightly lower recurring commissions and fees.

Net revenues in *Private Banking* increased slightly compared to 6M15, primarily driven by significantly higher net interest income, partially offset by lower transaction- and performance-based revenues and lower recurring commissions and fees. Net interest income increased 33%, reflecting higher loan and deposit margins on higher average loan and deposit volumes. Transaction- and performance-based revenues decreased 15%, mainly driven by lower brokerage and product issuing fees, lower fees from foreign exchange client business, significantly lower half-yearly performance fees reflecting the challenging market conditions and a decline in sales and trading revenues. 6M15 included higher client activity due to the SNB actions taken in January 2015. Recurring commissions and fees decreased 6%, primarily driven by lower security account and custody services fees, a decline in banking services fees and included the impact of lower average assets under management, partially offset by higher investment advisory fees.

Net revenues in *Asset Management* were stable compared to 6M15, as growth in management fees was offset by lower performance and placement revenues and lower investment and partnership income. Management fees increased 5% and included the impact of slightly higher average assets under management. Investment and partnership income decreased 4%, mainly reflecting lower performance from single manager hedge funds, partially offset by a residual gain from a private equity interest in 1Q16. Performance and placement revenues decreased 22% primarily from lower placement fees, partially offset by higher investment-related gains.

Total operating expenses were stable, with higher general and administrative expenses and restructuring expenses of CHF 23 million in 6M16, offset by lower compensation and benefits.

In 6M16, **Asia Pacific** reported income before taxes of CHF 470 million and net revenues of CHF 1,818 million. Compared to 6M15, net revenues decreased 15%, driven by lower equity sales and trading revenues reflecting the absence of the strong market conditions experienced in 6M15.

Net revenues in *Private Banking* increased 9% compared to 6M15, mainly reflecting an increase in net interest income, partially offset by a decrease in transaction-based and other revenues. The increase in net interest income reflected higher loan and deposit margins on higher average volumes. The decrease in transaction-based revenues reflected lower brokerage and product issuing fees, partially offset by higher corporate advisory fees arising from integrated solutions and a dividend from an equity participation. The decrease in other revenues reflected a reversal of gains on credit hedges that were offset by a corresponding release of provision for credit losses.

Net revenues in *Investment Banking* decreased 24% compared to 6M15, mainly due to lower equity sales and trading revenues, partially offset by higher fixed income sales and trading revenues and higher underwriting and advisory fees. The decrease in equity sales and trading revenues reflected the absence of the strong market conditions experienced in 6M15, primarily in derivatives and systematic market making. Equity derivatives results in 6M16 included the positive impact of CHF 65 million resulting from a recalibration of the valuation model for certain hybrid instruments to reflect increased observability of pricing data and a more standardized approach across products. Higher fixed income sales and trading revenues were primarily driven by rates products reflecting increased client activity.

Total operating expenses increased 6%, reflecting increased compensation and benefits driven by growth-related higher headcount, and higher general and administrative expenses.

In 6M16, **Global Markets** reported a loss before taxes of CHF 44 million and net revenues of CHF 2,875 million. Net revenues declined 29%, primarily reflecting challenging market conditions, notably in 1Q16, and lower capital usage in line with our accelerated strategy to right-size our business. Revenues from credit of CHF 1,132 million declined 41% compared to 6M15, primarily due to significantly lower results in our securitized products business. Securitized products trading revenues declined across most products primarily as we decreased risk in the portfolio by reducing inventory positions and due to lower capital usage compared to 6M15. Global credit products revenues were also lower, as lower investment grade trading activity was partially offset by improved leveraged finance trading activity. Solutions revenues of CHF 754 million declined 22% compared to 6M15, reflecting increased volatility and macroeconomic uncertainty surrounding central bank actions, which resulted in lower client activity. Emerging markets revenues were also lower, mainly due to lower structured products performance. We had lower revenues in global macro products due to reduced client activity in our rates business, partially offset by improved performance in our foreign exchange business. Equity derivatives revenues declined mainly due to subdued client activity in fund linked products. Revenues from equities of CHF 1,070 million decreased 14% compared to 6M15 due to lower revenues from systematic market making, primarily reflecting challenging operating conditions in 1Q16. Prime services revenues declined, reflecting reduced leverage exposure and reduced client activity and risk appetite. Cash equities trading revenues declined, reflecting the negative impact of lower primary issuance activity. Equity underwriting revenues declined in line with muted industry-wide activity across initial public offerings (IPOs) and follow-on offerings.

Total operating expenses declined 2% compared to 6M15, primarily due to lower compensation and benefits, partially offset by restructuring expenses booked in 6M16. In light of the acceleration of our strategic initiatives, total operating expenses included CHF 150 million in restructuring expenses in 6M16.

In 6M16, **Investment Banking & Capital Markets** reported income before taxes of CHF 73 million, a decrease of 26% compared to 6M15. Net revenues of CHF 931 million declined 4% compared to 6M15, primarily due to lower equity underwriting revenues, partially offset by higher revenues from advisory and debt underwriting. Revenues from advisory and other fees of CHF 404 million increased 35% compared to 6M15, reflecting an increase in our share of wallet, despite a decline in the industry-wide fee pool. Debt underwriting revenues of CHF 483 million increased 3% due to higher derivative financing. Equity underwriting revenues of CHF 139 million declined 37%, driven by lower industry-wide IPO and follow-on offering issuance activity. Compared to 6M15, net revenues were also impacted by lower corporate lending revenues, recognized in other revenues.

Total operating expenses decreased 5% compared to 6M15, primarily reflecting a decrease in compensation and benefits.

In 6M16, the **Strategic Resolution Unit** reported a loss before taxes of CHF 2,012 million compared to a loss before taxes of CHF 554 million in 6M15. Negative net revenues were CHF 904 million in 6M16 compared to net revenues of CHF 725 million in 6M15. The movement was primarily driven by valuation adjustments in the legacy investment banking portfolio and lower revenues relating to the restructuring of select onshore businesses.

Total operating expenses decreased 18% compared to 6M15, driven by lower compensation and benefits, reflecting the transfer of our US private banking business, and lower general and administrative expenses. These decreases were partially offset by restructuring expenses recorded in 6M16.

**Corporate Center** loss before taxes was CHF 202 million in 6M16 compared to income before taxes of CHF 212 million in 6M15. We early adopted certain sections of ASU 2016-01, which required changes in fair value relating to the instrument-specific credit risk of fair value option-elected financial liabilities be presented separately in accumulated other comprehensive income. Therefore, fair value gains or losses from movements in own credit spreads were no longer recorded in the Corporate Center beginning in 2016. Other revenues primarily reflected required elimination adjustments associated with trading in own shares. Compensation and benefits mainly reflected fair value adjustments on certain deferred compensation plans not allocated to the segments. General and administrative expenses primarily reflected costs associated with the evolution of our legal entity structure to meet developing and future regulatory requirements.

# Condensed consolidated financial statements

Please refer to III –Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 1Q16 and 2Q16.

# Exhibits

| No. | Description |
|---|---|
| 12.1 | Ratio of earnings to fixed charges |
| 23.1 | Letter regarding unaudited financial information from the Independent Registered Public Accounting Firm |
| 99.1 | Credit Suisse Financial Report 2Q16 |
| 101.1 | Interactive data files (XBRL-related documents) – Credit Suisse Group AG |

# Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CREDIT SUISSE GROUP AG**

(Registrant)

Date: July 28, 2016

By:
/s/ Tidjane Thiam
Tidjane Thiam
Chief Executive Officer

By:
/s/ David R. Mathers
David R. Mathers
Chief Financial Officer

# Ratio of earnings to fixed charges

## Ratio of earnings to fixed charges – Group

| in | **6M16** | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| **Ratio of earnings to fixed charges (CHF million)** | | | | | | |
| Income/(loss) from continuing operations before taxes, noncontrolling interests, extraordinary items and cumulative effect of accounting changes | (285) | (2,422) | 3,627 | 4,096 | 2,190 | 3,471 |
| Income/(loss) from equity method investments | (95) | (243) | (244) | (251) | (160) | (138) |
| **Pre-tax earnings/(loss) from continuing operations** | **(380)** | **(2,665)** | **3,383** | **3,845** | **2,030** | **3,333** |
| Fixed charges: | | | | | | |
| Interest expense | 5,332 | 10,042 | 10,027 | 11,441 | 14,947 | 16,550 |
| Interest portion of rentals [1] | 259 | 538 | 627 | 642 | 645 | 600 |
| Preferred dividend requirements | 0 | 0 | 53 | 236 | 231 | 216 |
| **Total fixed charges** | **5,591** | **10,580** | **10,707** | **12,319** | **15,823** | **17,366** |
| **Pre-tax earnings before fixed charges** | **5,211** | **7,915** | **14,090** | **16,164** | **17,853** | **20,699** |
| Noncontrolling interests | 5 | (1) | 449 | 639 | 336 | 837 |
| **Earnings before fixed charges and provision for income taxes** | **5,206** | **7,916** | **13,641** | **15,525** | **17,517** | **19,862** |
| **Ratio of earnings to fixed charges** | **0.93** | **0.75** | **1.27** | **1.26** | **1.11** | **1.14** |

[1] Amounts reflect a portion of premises and real estate expenses deemed representative of the interest factor.

# Letter regarding unaudited financial information from the Independent Registered Public Accounting Firm

Credit Suisse Group AG
Zurich, Switzerland

**Re: Registration Statement No. 333-202913, 333-101259 and 333-208152**

With respect to the subject registration statements, we acknowledge our awareness of the incorporation by reference therein of our report dated July 28, 2016 related to our review of interim financial information of Credit Suisse Group AG as of June 30, 2016 and 2015 and for the three and six-month periods ended June 30, 2016 and 2015.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

KPMG AG

Nicholas Edmonds
*Licensed Audit Expert*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
July 28, 2016

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CREDIT SUISSE

# Financial Report

2Q16

## Key metrics

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | | | | |
| Net income/(loss) attributable to shareholders | 170 | (302) | 1,051 | – | (84) | (132) | 2,105 | – |
| Basic earnings/(loss) per share (CHF) | 0.08 | (0.15) | 0.61 | – | (87) | (0.07) | 1.23 | – |
| Diluted earnings/(loss) per share (CHF) | 0.08 | (0.15) | 0.59 | – | (86) | (0.07) | 1.20 | – |
| Return on equity attributable to shareholders (%) | 1.5 | (2.6) | 10.0 | – | – | (0.6) | 10.0 | – |
| Effective tax rate (%) | 10.6 | 37.0 | 35.6 | – | – | 55.4 | 33.7 | – |
| **Core Results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 5,471 | 5,179 | 6,545 | 6 | (16) | 10,650 | 12,877 | (17) |
| Provision for credit losses | 9 | 35 | 39 | (74) | (77) | 44 | 65 | (32) |
| Total operating expenses | 4,504 | 4,375 | 4,600 | 3 | (2) | 8,879 | 9,091 | (2) |
| Income before taxes | 958 | 769 | 1,906 | 25 | (50) | 1,727 | 3,721 | (54) |
| Cost/income ratio (%) | 82.3 | 84.5 | 70.3 | – | – | 83.4 | 70.6 | – |
| **Assets under management and net new assets (CHF billion)** | | | | | | | | |
| Assets under management | 1,218.4 | 1,180.8 | 1,347.6 | 3.2 | (9.6) | 1,218.4 | 1,347.6 | (9.6) |
| Net new assets | 12.1 | 10.5 | 13.7 | 15.2 | (11.7) | 22.6 | 28.6 | (21.0) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 821,164 | 813,898 | 879,322 | 1 | (7) | 821,164 | 879,322 | (7) |
| Net loans | 273,835 | 270,248 | 270,171 | 1 | 1 | 273,835 | 270,171 | 1 |
| Total shareholders' equity | 44,962 | 44,997 | 42,642 | 0 | 5 | 44,962 | 42,642 | 5 |
| Tangible shareholders' equity | 40,026 | 40,123 | 34,199 | 0 | 17 | 40,026 | 34,199 | 17 |
| **Basel III regulatory capital and leverage statistics** | | | | | | | | |
| Risk-weighted assets (CHF million) | 275,056 | 283,937 | 281,886 | (3) | (2) | 275,056 | 281,886 | (2) |
| CET1 ratio (%) | 14.2 | 13.6 | 13.9 | – | – | 14.2 | 13.9 | – |
| Look-through CET1 ratio (%) | 11.8 | 11.4 | 10.3 | – | – | 11.8 | 10.3 | – |
| Look-through CET1 leverage ratio (%) | 3.3 | 3.3 | 2.7 | – | – | 3.3 | 2.7 | – |
| Look-through Tier 1 leverage ratio (%) | 4.4 | 4.4 | 3.7 | – | – | 4.4 | 3.7 | – |
| **Share information** | | | | | | | | |
| Shares outstanding (million) | 2,081.4 | 1,946.4 | 1,632.4 | 7 | 28 | 2,081.4 | 1,632.4 | 28 |
| of which common shares issued | 2,089.9 | 1,957.4 | 1,638.4 | 7 | 28 | 2,089.9 | 1,638.4 | 28 |
| of which treasury shares | (8.5) | (11.0) | (6.0) | (23) | 42 | (8.5) | (6.0) | 42 |
| Book value per share (CHF) | 21.60 | 23.12 | 26.12 | (7) | (17) | 21.60 | 26.12 | (17) |
| Tangible book value per share (CHF) | 19.23 | 20.61 | 20.95 | (7) | (8) | 19.23 | 20.95 | (8) |
| Market capitalization (CHF million) | 21,547 | 26,640 | 42,107 | (19) | (49) | 21,547 | 42,107 | (49) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 47,180 | 47,760 | 46,610 | (1) | 1 | 47,180 | 46,610 | 1 |

See relevant tables for additional information on these metrics.

# Financial Report 2Q16


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For purposes of this report, unless the context otherwise requires, the terms "Credit Suisse," "the Group," "we," "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the Swiss bank subsidiary of the Group, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar. We use the term "the Bank" when we are only referring to Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

Abbreviations are explained in the List of abbreviations in the back of this report.

Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report.

In various tables, use of "–" indicates not meaningful or not applicable.

# MESSAGE FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

**Dear shareholders**

We operated profitably in 2Q16 with a resilient performance across all our businesses. We further improved our capital strength to allow us to continue our necessary restructuring while investing, when justified, in opportunities with attractive risk-adjusted returns. We delivered strong results in our geographic focused divisions of Swiss Universal Bank (SUB), Asia Pacific (APAC) and International Wealth Management (IWM), and our Investment Banking and Capital Markets (IBCM) division returned to profitability in 2Q16. In parallel, we made significant progress in the right-sizing and de-risking of Global Markets (GM). We have continued to generate significant cost savings in GM as we build a more efficient and more resilient platform through significant front-to-back process redesign. All these actions are aimed at ensuring that Credit Suisse is better positioned for long-term profitable growth.



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

**Financial performance**

Credit Suisse reported net income attributable to shareholders of CHF 170 million and pre-tax income of CHF 199 million in 2Q16 (adjusted*: CHF 290 million). These results were primarily driven by contributions from APAC, IWM and SUB, which produced combined adjusted* pre-tax income of CHF 933 million in 2Q16 and delivered strong wealth management net new assets of CHF 11.3 billion.

In our home market of Switzerland, we delivered a solid performance with adjusted* pre-tax income of CHF 457 million. In SUB, we remained focused on further optimizing revenue generation by strengthening our Bank for Entrepreneurs and *Credit Suisse Invest* as part of our commitment to delivering expert service and advice to the full spectrum of clients. Our investment bank in Switzerland achieved good momentum and ranked no. 1 in terms of announced M&A transactions[1] and debt capital markets deals[2] during the quarter. It was also named 'Best Investment Bank in Switzerland' for 2016 by Euromoney magazine for the fifth consecutive year. In Switzerland, we have applied for a Swiss banking license and expect Credit Suisse (Schweiz) AG to commence operations in 4Q16 subject to, among other things, regulatory approval.

In Asia Pacific, which is a key target growth market for Credit Suisse, we have a strong franchise, and our clients value our ability to offer a broad range of wealth management and investment banking products and services based on our integrated approach. Within our APAC division, our wealth management business continued to grow, and we saw strong demand among ultra-high-net-worth entrepreneurs for our financing services in the first half of the year. Our Underwriting & Advisory business achieved growth and increased share of wallet[3] in an environment of declining fee pools.

In parallel, we continued to make progress in building our IWM franchise. We continued to generate net new assets across businesses and geographies, reflecting our ability to create value for our clients with solid inflows from the emerging markets and Europe. A number of landmark deals were completed that helped to mitigate lower transaction- and performance-based revenues, in part, during the quarter. In our Asset Management business, we achieved net new assets with an attractive product margin mix, including the successful launch of the Nova Fixed Maturity Bond Fund in April that has since attracted over CHF 3 billion of assets due to strong client demand.

We are continuing to make targeted investments in our business. Our ambition is to be the preferred partner to ultra-high-net-worth individuals and high-net-worth individuals, who represent a key client segment for Credit Suisse, as well as to institutional clients and our retail clients in Switzerland. Similarly, to better serve this client base, we are continuing to make targeted hires and had a total of 650 relationship managers in APAC at end-2Q16. In IWM, we also made progress in our efforts to attract additional relationship managers to our platform, with an increase in hiring activity of around 40% compared to the first half of 2015. In SUB, we made targeted investments in branding and advertising, as well as in digitalization initiatives and regulatory projects.

In IBCM, we had a strong quarter across our underwriting and advisory business. In 2Q16, we recorded adjusted* pre-tax income of USD 132 million, a significant improvement compared to 1Q16.

The right-sizing and de-risking of GM is a critical element of our strategic plan. In 2Q16, we made solid progress in the accelerated restructuring of the division. By end-2Q16, we had further reduced capital consumption in GM, completed the transfer of assets to the Strategic Resolution Unit (SRU) and transferred GM's foreign exchange activities to SUB. We significantly de-risked GM,

thereby further reducing capital usage during the quarter. Today, we are operating within our end-2016 RWA and leverage exposure targets. We also further lowered our cost base compared to 2Q15. Finally, we made clear progress in 2Q16 in re-invigorating our client-driven activity and improved revenue generation in our core Equities, Credit and Solutions franchises compared to 1Q16. As a result, GM operated profitably in 2Q16 with adjusted* pre-tax income of USD 208 million.

The SRU made further substantial progress in reducing risk-weighted assets, leverage exposure and costs and in winding down businesses, thus freeing up significant capital to reinvest in our growth markets.

**Strengthening our capital position**

Credit Suisse reported a look-through Common Equity Tier 1 (CET1) capital ratio of 11.8% at end-2Q16, an increase of around 40 basis points from 11.4% at the end of 1Q16, reflecting disciplined capital management and improved profitability. We aim to maintain a look-through CET1 capital ratio of between 11-12%[4] for the remainder of 2016 to help continue our restructuring while investing, when justified, in opportunities with attractive risk-adjusted returns. At end-2Q16, Credit Suisse reported a look-through CET1 leverage ratio of 3.3%.

In summary, Credit Suisse operated profitably in 2Q16. We have remained focused on serving our clients during a challenging quarter. APAC, IWM and SUB have attracted significant wealth management asset inflows. IBCM has been able to gain market share across key products and generated a profit for the bank. Additionally, the restructured GM platform has generated a profit. Risks in GM have been reduced and, in the first half of the year, we achieved our target of reducing the expected quarterly pre-tax loss by 50% in an adverse stress scenario. Our cost cutting program is progressing at pace and we are working hard to build a more flexible, more resilient and more efficient bank that is fit for the new post-crisis regulatory and economic environment.

**Outlook**

We remain cautious in our outlook for the second half of 2016 in view of the uncertainty created by significant geopolitical and macroeconomic concerns, reinforced a few weeks ago by the outcome of the UK referendum. In the coming quarters, we will continue to work steadily towards delivering on our longer-term objectives and creating value for our clients and shareholders.

We would like to express our sincere thanks to all Credit Suisse employees around the globe for their continued hard work, dedication and support. We also wish to thank our clients and our shareholders for the trust they place in Credit Suisse.

Best regards



Urs Rohner
Chairman of the
Board of Directors

Tidjane Thiam
Chief Executive Officer

July 2016

* Adjusted results are non-GAAP financial measures. For a reconciliation of the adjusted results to the most directly comparable US GAAP measures, see the "Reconciliation of adjusted results" tables in I – Credit Suisse results.

[1] Source: Thomson Securities, SDC Platinum, Credit Suisse.

[2] Source: International Financing Review.

[3] Dealogic data based on external published view as of 07/06/2016. ECM excludes convertibles.

[4] Making no provision for significant litigation expenses.

**Important information**

When we refer to wealth management focused divisions throughout this document, we mean APAC, IWM and SUB. References to the "wealth management" businesses in APAC, IWM and SUB refer to those divisions' Private Banking businesses.

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

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

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

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

This document contains forward-looking statements that involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward-looking statements. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements, including those we identify in "Risk Factors" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2015 filed with the US Securities and Exchange Commission, and in other public filings and press releases. We do not intend to update these forward-looking statements except as may be required by applicable law.

# Credit Suisse at a glance

## Credit Suisse

Our strategy builds on Credit Suisse's core strengths: its position as a leading global wealth manager, its specialist investment banking capabilities and its strong presence in our home market of Switzerland. We take a balanced approach to capture the wealth management opportunities in emerging markets, the largest of which is in the Asia Pacific region, while also serving key developed markets with an emphasis on Switzerland. Founded in 1856, we today have a global reach with operations in about 50 countries and 47,180 employees from over 150 different nations. Our broad footprint helps us to generate a geographically balanced stream of revenues and net new assets and allows us to capture growth opportunities around the world. We serve our clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specializing in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with our strategic direction. Our business divisions cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

## Swiss Universal Bank

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

## International Wealth Management

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

## Asia Pacific

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

## Global Markets

The Global Markets division offers a broad range of equities and fixed income products and services and focuses on client-driven businesses and on supporting Credit Suisse's private banking businesses and their clients. Our suite of products and services includes global securities sales, trading and execution services, prime brokerage, underwriting and comprehensive investment research. Our clients include financial institutions, corporations, governments, institutional investors – including pension funds and hedge funds – and private individuals around the world.

## Investment Banking & Capital Markets

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

## Strategic Resolution Unit

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

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# Operating environment

During 2Q16, economic indicators showed subdued global growth, as economic activity in developed markets increased slightly and remained largely stable in emerging markets. Global equity markets ended the quarter slightly higher, though world bank stocks underperformed. Government bond yields declined further. The US dollar strengthened against most major currencies.

## ECONOMIC ENVIRONMENT

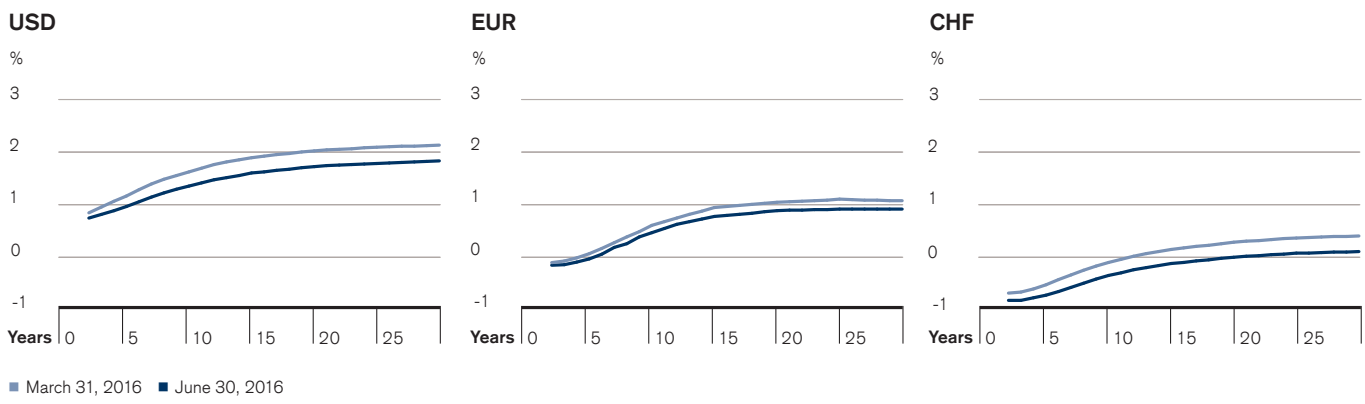
Economic growth in the US improved compared to 1Q16, as retail sales strengthened and construction activity increased slightly. Labor market data in the US was mixed, with some data signaling a slowdown in hiring even as the unemployment rate fell to its lowest level since November 2007. Inflation rates in the US barely changed compared to 1Q16, remaining at low levels. Eurozone economic data remained resilient overall, and inflation remained close to zero. In the UK, economic momentum remained subdued in light of political uncertainty surrounding the decision of voters in the UK to leave the European Union. Across major emerging markets, the economic picture improved somewhat in Russia, remained weak in Brazil and showed signs of stabilization in China.

During 2Q16, the US Federal Reserve (Fed) kept interest rates unchanged and signaled it would increase them at a slower pace than it had previously indicated. The European Central bank (ECB) began to purchase corporate bonds in June, but otherwise left its monetary policy unchanged, with interest rates remaining at very low levels. The Bank of Japan delayed making changes to its monetary policy, while the Reserve Bank of Australia lowered interest rates again. The central banks in India and Russia lowered interest rates, while those in China and Brazil left them unchanged.

Global equity markets finished 2Q16 slightly higher compared to the end of 1Q16, generally supported by improved commodity markets and accommodative monetary policies of major central banks (refer to the charts “Equity markets”). The outcome of the UK referendum on European Union membership caused significant volatility in the financial markets, and led to a sharp increase in risk aversion by market participants, resulting in an equity market sell-off in the immediate period after the result. In developed markets, Canadian and Australian equities exposed to the commodity sector and Swiss and US equities outperformed global equity markets. Japanese and eurozone equity markets significantly underperformed. Latin America equities outperformed within emerging markets. The energy sector, due to improved fundamentals in the oil market, and defensive sectors, such as healthcare and utilities, outperformed other sectors, while cyclical sectors, particularly those in the consumer discretionary, financials and IT areas, underperformed. Equity market volatility, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), increased sharply in the period around the UK referendum. Risk appetite, as measured by the Credit Suisse Equity Risk Appetite Index, decreased during the quarter. The Credit Suisse Hedge Fund Index increased 0.6% in 2Q16.

### Yield curves

Yield curves generally decreased further in 2Q16 across all maturities.

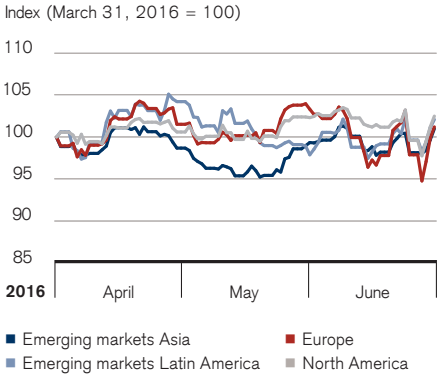



**Source:** Datastream, Credit Suisse

## Equity markets

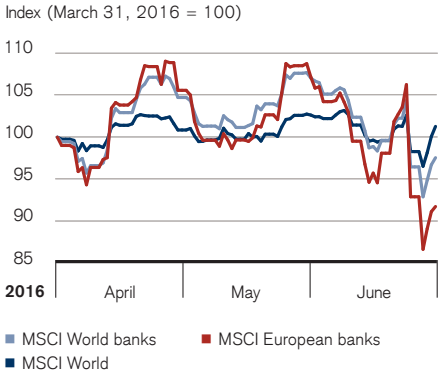
Equity markets ended the quarter slightly higher and bank stocks underperformed. Equity market volatility increased especially ahead of the UK referendum.

**Performance region**



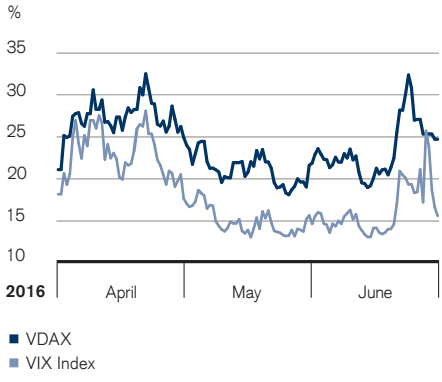

**Source:** Datastream, MSCI Barra, Credit Suisse

**Performance world banks**




**Source:** Datastream, MSCI Barra, Credit Suisse

**Volatility**




**Source:** Datastream, Credit Suisse

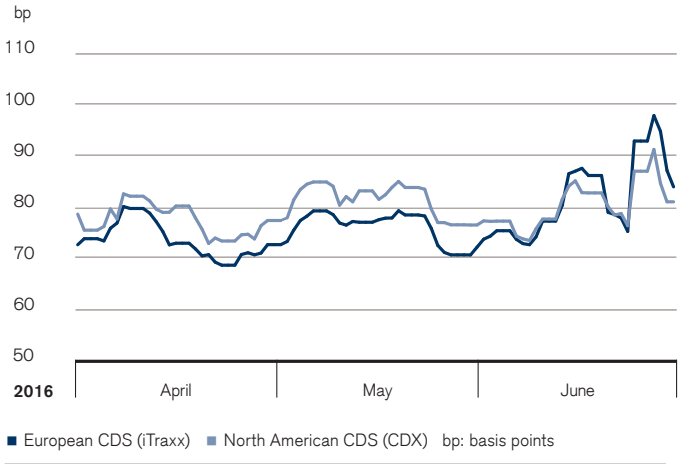
Government bond yields declined further in 2Q16 (refer to the charts "Yield curves"). As markets priced in potential interest rate increases by the Fed and the results of the UK referendum, financial flows to safe havens increased. British and Australian bonds outperformed other major government bonds, while Italian bonds underperformed them. Despite the increase in risk aversion by market participants in June, high yield and hard currency emerging market bonds continued to perform well. In contrast, the financial sector lagged compared to other sectors, with the uncertainty surrounding the outcome of the UK referendum leading to further underperformance.

The US dollar strengthened against most major currencies in 2Q16, except the Japanese yen. This was especially driven by the result of the UK referendum which led to increased financial flows to safe havens. The Swiss franc, after initially weakening against the euro, also ended the quarter slightly stronger as the Swiss National Bank intervened after the UK referendum to limit further strengthening against other major currencies. The weakest currency among the G-10 countries was the British pound. The Canadian dollar was stable, and the Australian dollar was weaker against the US dollar despite higher commodity prices. Currencies of commodity-exporting countries in emerging markets, such as the Russian ruble and Brazilian real, strengthened.

After a volatile 1Q16, commodities markets recovered during 2Q16, led by gains in the energy sector and supported by developments in the precious metals, agriculture and industrial metals sectors. Commodities prices were supported by market expectations that central banks would delay tightening their monetary policies. The Credit Suisse Commodities Benchmark ended the quarter 13.3% higher.

## Credit spreads

In line with equity market volatility, credit spreads strongly increased at the end of the quarter ahead of the UK referendum.




**Source:** Bloomberg, Credit Suisse

## Market volumes (growth in %)

| | Global | | Europe | |
|---|---|---|---|---|
| end of 2Q16 | QoQ | YoY | QoQ | YoY |
| Equity trading volume [1] | (13) | (11) | (12) | (23) |
| Announced mergers and acquisitions [2] | 27 | (18) | (8) | (35) |
| Completed mergers and acquisitions [2] | (4) | (21) | (43) | (29) |
| Equity underwriting [2] | 39 | (42) | 140 | (35) |
| Debt underwriting [2] | 13 | 4 | (9) | 12 |
| Syndicated lending – investment grade [2] | 21 | 1 [3] | – | – |

[1] London Stock Exchange, Borsa Italiana, Deutsche Börse and BME. Global also includes ICE and NASDAQ.
[2] Dealogic.
[3] 6M16 vs 6M15.

### SECTOR ENVIRONMENT

As was the case in 1Q16, equities in the financial sector were among the weakest performers among global stocks in 2Q16, and were also impacted by the UK referendum. World bank stocks underperformed global equity markets in 2Q16, and European bank stocks underperformed world bank stocks (refer to the charts “Equity markets”).

In private banking, market conditions remained challenging in light of the political and economic uncertainty around the UK referendum, the persistence of the low interest rate environment, increased concerns about global growth and the uncertainty concerning central banks’ monetary policies going forward. The sector continues to face significant structural pressure as it adapts to industry-specific regulatory changes, tax regularization and anti-money laundering initiatives. In particular, regulatory requirements for investment advisory services continue to increase, including in the areas of client suitability and appropriateness of advice, information and documentation.

For investment banking, equity trading volumes decreased globally and in Europe compared to 1Q16 and 2Q15. Global announced mergers and acquisitions (M&A) volumes increased compared to 1Q16 but decreased compared to 2Q15. Global completed M&A volumes decreased compared to 1Q16 and 2Q15. European announced and completed M&A volumes decreased compared to 1Q16 and 2Q15. Global and European equity underwriting volumes were significantly higher compared to 1Q16 but lower compared to 2Q15. Global debt underwriting volumes were higher compared to 1Q16 and 2Q15. European debt underwriting volumes were lower compared to 1Q16, but higher compared to 2Q15. Total US fixed income trading volumes were lower compared to 1Q16, mainly driven by lower treasuries, and slightly higher compared to 2Q15, mainly due to mortgage-backed volumes.

# Credit Suisse

In 2Q16, we recorded net income attributable to shareholders of CHF 170 million. Diluted earnings per share were CHF 0.08 and return on equity attributable to shareholders was 1.5%. As of the end of 2Q16, our Basel III CET1 ratio was 14.2% and 11.8% on a look-through basis. Our risk-weighted assets were CHF 275.1 billion.

## Results

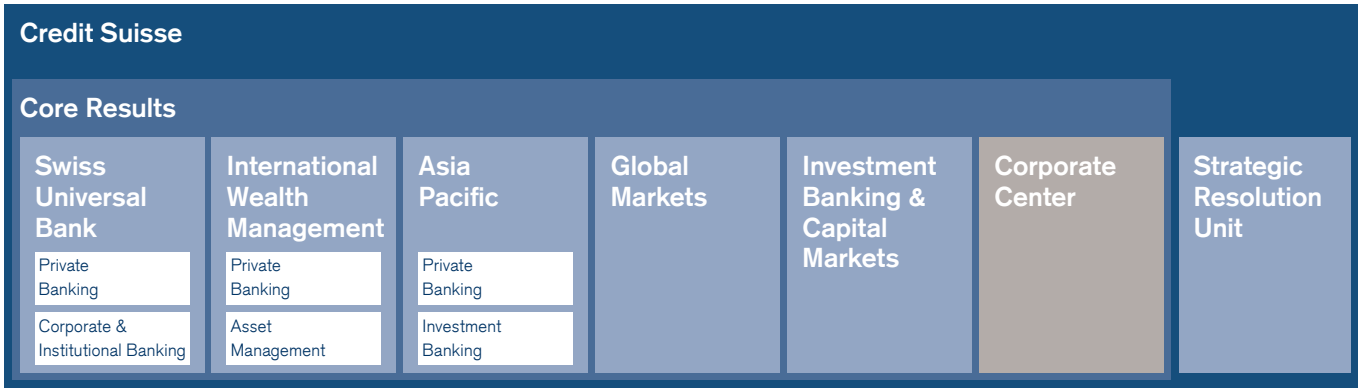
| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 1,999 | 2,011 | 2,869 | (1) | (30) | 4,010 | 5,021 | (20) |
| Commissions and fees | 2,796 | 2,675 | 3,259 | 5 | (14) | 5,471 | 6,238 | (12) |
| Trading revenues | 94 | (271) | 498 | – | (81) | (177) | 1,888 | – |
| Other revenues | 219 | 223 | 329 | (2) | (33) | 442 | 455 | (3) |
| **Net revenues** | **5,108** | **4,638** | **6,955** | 10 | (27) | **9,746** | **13,602** | (28) |
| **Provision for credit losses** | **(28)** | **150** | **51** | – | – | **122** | **81** | 51 |
| Compensation and benefits | 2,734 | 2,482 | 2,914 | 10 | (6) | 5,216 | 5,890 | (11) |
| General and administrative expenses | 1,760 | 1,848 | 1,928 | (5) | (9) | 3,608 | 3,666 | (2) |
| Commission expenses | 352 | 387 | 406 | (9) | (13) | 739 | 798 | (7) |
| Restructuring expenses | 91 | 255 | – | (64) | – | 346 | – | – |
| Total other operating expenses | 2,203 | 2,490 | 2,334 | (12) | (6) | 4,693 | 4,464 | 5 |
| **Total operating expenses** | **4,937** | **4,972** | **5,248** | (1) | (6) | **9,909** | **10,354** | (4) |
| **Income/(loss) from continuing operations before taxes** | **199** | **(484)** | **1,656** | – | (88) | **(285)** | **3,167** | – |
| Income tax expense/(benefit) | 21 | (179) | 590 | – | (96) | (158) | 1,067 | – |
| **Net income/(loss)** | **178** | **(305)** | **1,066** | – | (83) | **(127)** | **2,100** | – |
| Net income/(loss) attributable to noncontrolling interests | 8 | (3) | 15 | – | (47) | 5 | (5) | – |
| **Net income/(loss) attributable to shareholders** | **170** | **(302)** | **1,051** | – | (84) | **(132)** | **2,105** | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 1.6 | – | 12.2 | – | – | – | 11.5 | – |
| Cost/income ratio | 96.7 | 107.2 | 75.5 | – | – | 101.7 | 76.1 | – |
| Effective tax rate | 10.6 | 37.0 | 35.6 | – | – | 55.4 | 33.7 | – |
| **Earnings per share (CHF)** | | | | | | | | |
| Basic earnings/(loss) per share | 0.08 | (0.15) | 0.61 | – | (87) | (0.07) | 1.23 | – |
| Diluted earnings/(loss) per share | 0.08 | (0.15) | 0.59 | – | (86) | (0.07) | 1.20 | – |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity attributable to shareholders | 1.5 | (2.6) | 10.0 | – | – | (0.6) | 10.0 | – |
| Return on tangible equity attributable to shareholders [1] | 1.7 | (3.0) | 12.5 | – | – | (0.7) | 12.5 | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 821,164 | 813,898 | 879,322 | 1 | (7) | 821,164 | 879,322 | (7) |
| Risk-weighted assets [2] | 271,455 | 280,382 | 276,631 | (3) | (2) | 271,455 | 276,631 | (2) |
| Leverage exposure [2] | 966,548 | 969,541 | 1,061,825 | 0 | (9) | 966,548 | 1,061,825 | (9) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 47,180 | 47,760 | 46,610 | (1) | 1 | 47,180 | 46,610 | 1 |

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

[2] Disclosed on a look-through basis.

## Credit Suisse reporting structure

Credit Suisse includes the results of our six reporting segments, including the Strategic Resolution Unit, and the Corporate Center. Core Results do not include revenues and expenses from our Strategic Resolution Unit.




### RESULTS SUMMARY

**2Q16 results**

In 2Q16, Credit Suisse reported net income attributable to shareholders of CHF 170 million compared to a net loss attributable to shareholders of CHF 302 million in 1Q16 and net income attributable to shareholders of CHF 1,051 million in 2Q15.

**Net revenues** of CHF 5,108 million increased 10% compared to 1Q16, primarily reflecting higher net revenues in Global Markets, Strategic Resolution Unit and Investment Banking & Capital Markets. The increase in Global Markets was mainly due to higher revenues from our credit businesses. The movement in net revenues in the Strategic Resolution Unit was primarily driven by lower valuation adjustments in the legacy investment banking portfolio. Net revenues in Investment Banking & Capital Markets increased, primarily due to higher underwriting revenues and better performance from our corporate lending portfolio.

Net revenues decreased 27% compared to 2Q15, reflecting lower net revenues primarily in Strategic Resolution Unit, Corporate Center and Global Markets. The movement in net revenues in the Strategic Resolution Unit was primarily driven by valuation adjustments in the legacy investment banking portfolio and lower revenues relating to the restructuring of select onshore businesses, in particular the transfer of our US private banking business. Net revenues in Corporate Center decreased, primarily driven by fair value gains from movements in own credit spreads in 2Q15 and a change in the funding costs allocation methodology applied across the Group with effect as of the beginning of 1Q16. Net revenues in Global Markets declined primarily due to a significantly reduced risk profile and lower capital usage, in line with our accelerated restructuring strategy.

**Provision for credit losses** reflected a release of CHF 28 million primarily relating to a release of provision for credit losses of CHF 37 million in the Strategic Resolution Unit and CHF 17 million in Global Markets, partially offset by net provisions of CHF 16 million in International Wealth Management.

**Total operating expenses** of CHF 4,937 million decreased 1% compared to 1Q16, primarily reflecting a 64% decline in restructuring expenses and a 5% decline in general and administrative expenses, reflecting an 8% decline in professional services expenses. This decline were mostly offset by a 10% increase in compensation and benefits, reflecting higher salaries and discretionary compensation expenses and increased social security costs. We incurred CHF 91 million of restructuring expenses in 2Q16 in connection with our new strategy, of which CHF 50 million related to severance and other compensation expenses.

Total operating expenses decreased 6% compared to 2Q15, primarily reflecting a 6% decrease in compensation and benefits, mainly due to lower deferred compensation expenses from prior-year awards, reflecting a lower deferral rate, and a 9% decrease in general and administrative expenses, mainly due to lower provisions and losses and other general and administrative expenses, such as dues and fees and non-income taxes.

**Income tax expense** of CHF 21 million recorded in 2Q16 mainly reflected the impact of the geographical mix of results and the impact of a deferred tax asset re-assessment in Switzerland. Overall, net deferred tax assets decreased CHF 20 million to CHF 6,271 million, mainly driven by adjustments on share-based compensation deliveries, pension contributions and the 2Q16 deferred tax asset re-assessment, partially offset by earnings and foreign exchange movements. Deferred tax assets on net operating losses increased CHF 246 million to CHF 2,594 million during 2Q16. The Credit Suisse effective tax rate was 10.6% in 2Q16, compared to 37.0% in 1Q16.

▸ Refer to "Note 23 – Tax" in III – Condensed consolidated financial statements – unaudited for further information.

## Overview of Results

| in / end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,337** | **1,145** | **911** | **1,630** | **543** | **(95)** | **5,471** | **(363)** | **5,108** |
| **Provision for credit losses** | **9** | **16** | **3** | **(17)** | **0** | **(2)** | **9** | **(37)** | **(28)** |
| Compensation and benefits | 490 | 540 | 419 | 778 | 308 | 37 | 2,572 | 162 | 2,734 |
| Total other operating expenses | 385 | 344 | 283 | 715 | 100 | 105 | 1,932 | 271 | 2,203 |
| of which restructuring expenses | 4 | 15 | 10 | 50 | (8) | 0 | 71 | 20 | 91 |
| **Total operating expenses** | **875** | **884** | **702** | **1,493** | **408** | **142** | **4,504** | **433** | **4,937** |
| **Income/(loss) before taxes** | **453** | **245** | **206** | **154** | **135** | **(235)** | **958** | **(759)** | **199** |
| Return on regulatory capital (%) | 14.9 | 20.6 | 15.6 | 4.3 | 22.6 | – | 9.4 | – | 1.6 |
| Cost/income ratio (%) | 65.4 | 77.2 | 77.1 | 91.6 | 75.1 | – | 82.3 | – | 96.7 |
| Total assets | 224,866 | 90,156 | 92,194 | 239,419 | 22,064 | 54,407 | 723,106 | 98,058 | 821,164 |
| Goodwill | 609 | 1,540 | 1,505 | 459 | 632 | 0 | 4,745 | 0 | 4,745 |
| Risk-weighted assets [1] | 64,604 | 33,613 | 31,644 | 50,750 | 16,513 | 17,850 | 214,974 | 56,481 | 271,455 |
| Leverage exposure [1] | 245,108 | 95,442 | 107,595 | 279,099 | 43,756 | 51,743 | 822,743 | 143,805 | 966,548 |
| **1Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,356** | **1,173** | **907** | **1,245** | **388** | **110** | **5,179** | **(541)** | **4,638** |
| **Provision for credit losses** | **6** | **(2)** | **(22)** | **23** | **29** | **1** | **35** | **115** | **150** |
| Compensation and benefits | 476 | 501 | 404 | 671 | 287 | (67) | 2,272 | 210 | 2,482 |
| Total other operating expenses | 442 | 374 | 261 | 749 | 134 | 143 | 2,103 | 387 | 2,490 |
| of which restructuring expenses | 40 | 8 | 1 | 100 | 27 | 0 | 176 | 79 | 255 |
| **Total operating expenses** | **918** | **875** | **665** | **1,420** | **421** | **76** | **4,375** | **597** | **4,972** |
| **Income/(loss) before taxes** | **432** | **300** | **264** | **(198)** | **(62)** | **33** | **769** | **(1,253)** | **(484)** |
| Return on regulatory capital (%) | 14.4 | 24.9 | 20.8 | – | – | – | 7.6 | – | – |
| Cost/income ratio (%) | 67.7 | 74.6 | 73.3 | 114.1 | 108.5 | – | 84.5 | – | 107.2 |
| Total assets | 222,653 | 85,766 | 90,218 | 237,716 | 20,772 | 51,487 | 708,612 | 105,286 | 813,898 |
| Goodwill | 603 | 1,523 | 1,486 | 453 | 623 | 0 | 4,688 | 0 | 4,688 |
| Risk-weighted assets [1] | 64,437 | 33,028 | 27,649 | 56,698 | 16,990 | 17,455 | 216,257 | 64,125 | 280,382 |
| Leverage exposure [1] | 242,144 | 90,865 | 103,872 | 280,029 | 44,369 | 48,374 | 809,653 | 159,888 | 969,541 |
| **2Q15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,462** | **1,165** | **1,040** | **1,926** | **568** | **384** | **6,545** | **410** | **6,955** |
| **Provision for credit losses** | **33** | **(1)** | **11** | **(4)** | **0** | **0** | **39** | **12** | **51** |
| Compensation and benefits | 496 | 557 | 380 | 821 | 329 | 23 | 2,606 | 308 | 2,914 |
| Total other operating expenses | 465 | 337 | 282 | 718 | 94 | 98 | 1,994 | 340 | 2,334 |
| **Total operating expenses** | **961** | **894** | **662** | **1,539** | **423** | **121** | **4,600** | **648** | **5,248** |
| **Income/(loss) before taxes** | **468** | **272** | **367** | **391** | **145** | **263** | **1,906** | **(250)** | **1,656** |
| Return on regulatory capital (%) | 15.0 | 23.3 | 26.4 | 9.2 | 31.8 | – | 17.3 | – | 12.2 |
| Cost/income ratio (%) | 65.7 | 76.7 | 63.7 | 79.9 | 74.5 | – | 70.3 | – | 75.5 |
| Total assets | 220,912 | 90,999 | 92,799 | 287,616 | 12,792 | 66,179 | 771,297 | 108,025 | 879,322 |
| Goodwill | 592 | 1,502 | 2,184 | 2,987 | 973 | 0 | 8,238 | 0 | 8,238 |
| Risk-weighted assets [1] | 58,349 | 31,532 | 25,467 | 60,727 | 13,568 | 15,061 | 204,704 | 71,927 | 276,631 |
| Leverage exposure [1] | 243,946 | 91,601 | 107,755 | 332,361 | 34,247 | 62,228 | 872,138 | 189,687 | 1,061,825 |

[1] Disclosed on a look-through basis.

## Overview of Results (continued)

| in / end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **6M16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **2,693** | **2,318** | **1,818** | **2,875** | **931** | **15** | **10,650** | **(904)** | **9,746** |
| **Provision for credit losses** | **15** | **14** | **(19)** | **6** | **29** | **(1)** | **44** | **78** | **122** |
| Compensation and benefits | 966 | 1,041 | 823 | 1,449 | 595 | (30) | 4,844 | 372 | 5,216 |
| Total other operating expenses | 827 | 718 | 544 | 1,464 | 234 | 248 | 4,035 | 658 | 4,693 |
| of which restructuring expenses | 44 | 23 | 11 | 150 | 19 | 0 | 247 | 99 | 346 |
| **Total operating expenses** | **1,793** | **1,759** | **1,367** | **2,913** | **829** | **218** | **8,879** | **1,030** | **9,909** |
| **Income/(loss) before taxes** | **885** | **545** | **470** | **(44)** | **73** | **(202)** | **1,727** | **(2,012)** | **(285)** |
| Return on regulatory capital (%) | 14.6 | 22.7 | 18.2 | – | 6.6 | – | 8.5 | – | – |
| Cost/income ratio (%) | 66.6 | 75.9 | 75.2 | 101.3 | 89.0 | – | 83.4 | – | 101.7 |
| **6M15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **2,862** | **2,286** | **2,128** | **4,077** | **967** | **557** | **12,877** | **725** | **13,602** |
| **Provision for credit losses** | **56** | **1** | **8** | **0** | **0** | **0** | **65** | **16** | **81** |
| Compensation and benefits | 981 | 1,086 | 763 | 1,645 | 670 | 141 | 5,286 | 604 | 5,890 |
| Total other operating expenses | 914 | 649 | 525 | 1,314 | 199 | 204 | 3,805 | 659 | 4,464 |
| **Total operating expenses** | **1,895** | **1,735** | **1,288** | **2,959** | **869** | **345** | **9,091** | **1,263** | **10,354** |
| **Income/(loss) before taxes** | **911** | **550** | **832** | **1,118** | **98** | **212** | **3,721** | **(554)** | **3,167** |
| Return on regulatory capital (%) | 14.7 | 24.1 | 27.7 | 12.9 | 11.0 | – | 16.8 | – | 11.5 |
| Cost/income ratio (%) | 66.2 | 75.9 | 60.5 | 72.6 | 89.9 | – | 70.6 | – | 76.1 |

## EMPLOYEES

Headcount at the end of 2Q16 was 47,180, down 580 from 1Q16, primarily reflecting the impact of our cost efficiency initiatives.

### Number of employees

| end of | **2Q16** | 1Q16 | 2Q15 |
|---|---|---|---|
| **Number of employees (full-time equivalents)** | | | |
| Swiss Universal Bank | 13,280 | 13,500 | 12,830 |
| International Wealth Management | 10,010 | 10,170 | 9,380 |
| Asia Pacific | 7,020 | 6,730 | 6,170 |
| Global Markets | 11,620 | 11,780 | 11,470 |
| Investment Banking & Capital Markets | 2,800 | 2,880 | 2,550 |
| Strategic Resolution Unit | 2,050 | 2,290 | 3,800 |
| Corporate Center | 400 | 410 | 410 |
| **Number of employees** | **47,180** | **47,760** | **46,610** |

## INFORMATION AND DEVELOPMENTS

### Format of presentation

In managing the business, revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense from financing and hedging positions. For this reason, individual revenue categories may not be indicative of performance.

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

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

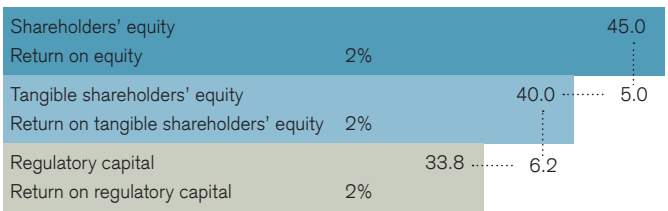
The calculation of divisional economic risk capital metrics and associated ratios under the new organization required certain additional assumptions and allocation methods which may not be required for future periods given the level of information then available.

▸ Refer to "Leverage metrics" and "Economic risk capital review" in II – Treasury, risk, balance sheet and off-balance sheet – Capital management and Risk management, respectively, for further information.

**Return on regulatory capital**

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

End of / in 2Q16 (CHF billion, except where indicated)




**Implementation of our strategy**

As announced on March 23, 2016, we have implemented additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower our cost base, accelerate the risk-weighted assets and leverage reduction initiatives in the restructuring of our Global Markets business and further strengthen our capital position.

▸ Refer to "Credit Suisse strategy" I – Information on the company in the Credit Suisse Annual Report 2015 for further information.

The additional measures included exiting the distressed credit, European securitized products trading and long-term illiquid financing businesses and making other business reductions. The assets from these impacted businesses were transferred to the Strategic Resolution Unit in 2Q16.

As also announced, in 2Q16 the Group consolidated its foreign exchange sales and trading business from Global Markets into its trading operations within Swiss Universal Bank. The results of the sales and trading business continue to be split between Swiss Universal Bank and International Wealth Management.

A portion of the corporate loan portfolio managed by the Global Markets and Investment Banking & Capital Markets divisions was also transferred to the Strategic Resolution Unit in 2Q16. These transfers related to client lending relationship exits and exposure types that we do not consider consistent with the announced strategy.

In 2Q16, we also transferred from Global Markets to the Corporate Center a portfolio of positions containing tax risk to the Group that is managed by the Group's corporate tax function.

As a result of the above strategic actions, prior period segment results have been reclassified to conform to the current presentation. These reclassifications had no impact on the net income/(loss) or the total shareholders' equity of the Group.

**Funding and cost allocations**

In the ongoing process of implementing the Group's strategy across our six business divisions, in 2Q16 the Group retroactively recalibrated, with effect as of the beginning of 1Q16, its methodology to allocate funding costs across the Group to incorporate net stable funding ratio (NSFR) requirements.

▸ Refer to "Funding" in "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

Corporate services and business support in finance, operations, human resources, legal, compliance, risk management and IT are provided by corporate functions, and the related costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures. In the ongoing process of implementing the Group's strategy across our six business divisions, in 2Q16, the Group recalibrated its methodology for the allocation of these corporate function costs to the operating expenses of the divisions, including a retroactive adjustment for 1Q16 in 2Q16.

**Fair valuations**

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

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 29 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information.

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

As of the end of 2Q16, 40% and 24% of our total assets and total liabilities, respectively, were measured at fair value.

The majority of our level 3 assets are recorded in our investment banking businesses. Total assets at fair value recorded as level 3 increased CHF 0.5 billion to CHF 29.2 billion as of the end of 2Q16, primarily reflecting the foreign exchange translation impact and net issuances. This was partially offset by net sales, mainly in loans and loans held-for-sale.

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 28.8 billion, compared to CHF 28.2 billion as of the end of 1Q16. As of the end of 2Q16, these assets comprised 4% of total assets and 9% of total assets measured at fair value, both adjusted on the same basis, compared to 3% and 8%, respectively, as of the end of 1Q16.

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

## EVOLUTION OF LEGAL ENTITY STRUCTURE

The execution of the program evolving the Group's legal entity structure to support the realization of our strategic objectives, increase the resilience of the Group and meet developing and future regulatory requirements has continued to progress, with a number of significant achievements in 2016.

- On July 1, 2016, Credit Suisse Holdings (USA), Inc. was fully established as our Intermediate Holding Company (IHC), in line with regulatory requirements. The IHC went live with the requisite capital, liquidity, infrastructure and governance, including its newly established board of directors;
- Following regulatory approval from the Central Bank of Ireland in December 2015, Credit Suisse AG Dublin Branch was established in 1Q16, making Ireland an important hub for the bank's prime services business in Europe. The key parts of the prime services business operating out of this location include prime brokerage, prime financing and securities lending, all of which serve clients across global markets. The Dublin operation handles the trading, capital and risk management for the business, while the client coverage and relationship functions are allocated between London and Dublin staff according to client proximity and needs;
- In Switzerland, we have made significant progress with the implementation of the new legal entity Credit Suisse (Schweiz) AG, which will largely include the business and clients of the Swiss Universal Bank division of Credit Suisse AG. Swiss booked clients of the International Wealth Management and the Asia Pacific division will remain in Credit Suisse AG. We expect the new legal entity to become operational as a standalone bank in 4Q16, subject to, among other things, regulatory approval. In this context, future clients of Credit Suisse (Schweiz) AG have recently received notification on the upcoming transfer of accounts from Credit Suisse AG to Credit Suisse (Schweiz) AG. The establishment of Credit Suisse (Schweiz) AG underscores our strong commitment to our Swiss home market. The new legal entity structure in Switzerland will not impact our client servicing model; our Swiss-booked clients will continue to benefit from Credit Suisse's global expertise and full range of services regardless of the legal entity to which they are booked. As licensed Swiss banks, both Credit Suisse AG and Credit Suisse (Schweiz) AG will be subject to the same rules and standards regarding client protection, asset segregation and Swiss banking confidentiality, and both banks will be members of Credit Suisse Group.

▸ Refer to "Evolution of legal entity program" in II – Operating and financial review – Credit Suisse in the Credit Suisse Annual Report 2015 for further information.

## REGULATORY DEVELOPMENTS AND PROPOSALS

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

The Financial Market Infrastructure Act and the Financial Market Infrastructure Ordinance (FMIO) came into effect on January 1, 2016. Financial market infrastructures and the operators of organized trading facilities were granted a transitional period of one year until January 1, 2017 to comply with various new duties, including those associated with the publication of pre- and post-trade transparency information and with high-frequency trading. Also, in order to align Swiss law with the revised timing of corresponding provisions of the Markets in Financial Instruments Directive (MiFID II), which have been postponed by a year, the Swiss Federal Council extended the transitional periods under the FMIO for financial market infrastructures by a year until January 1, 2018.

On May 24, 2016, the US Commodity Futures Trading Commission (CFTC) adopted final rules addressing the cross-border application of margin requirements for uncleared swaps. These margin requirements will apply to Credit Suisse Securities (Europe) Limited (CSSEL) and other non-bank swap dealers registered with the CFTC. Consistent with margin requirements adopted by the US prudential regulators in October 2015, these CFTC rules incorporate limits on the eligibility of CSSEL to satisfy the CFTC's margin requirements through "substituted compliance" with EU margin rules, especially when trading with US-headquartered dealers. The availability of substituted compliance (whether partially or in full) will also depend on whether the CFTC adopts a comparability determination relating to the EU margin rules. Due in part to uncertainty as to whether the EU may delay the effective date of its rules until after the CFTC's rules begin to apply to CSSEL with respect to certain counterparties commencing September 1, 2016, the timing of the availability of substituted compliance remains unclear, and accordingly CSSEL may face obstacles in its ability to engage effectively in cross-border derivatives activities.

On June 2, 2016, a Memorandum of Understanding (MoU) between the European Securities and Markets Authority (ESMA) and the CFTC became effective. The MoU establishes regulatory cooperation arrangements relating to CFTC-registered US central counterparties (CCPs) that have applied to ESMA for recognition

under Article 25 of the European Markets Infrastructure Regulation (EMIR). The MoU follows the adoption of the European Commission's equivalence decision under EMIR with respect to CFTC requirements for US CCPs on March 15, 2016.

On June 9, 2016, the CFTC proposed rule amendments that would expand mandatory clearing requirements to certain interest rate swaps denominated in Australian, Canadian, Hong Kong, Mexican, Norwegian, Polish, Singapore, Swedish and Swiss currencies and certain other rates derivatives in these currencies. This proposal would effectively expand the CFTC's clearing requirement to cover the full range of interest rate swaps required to be cleared under various non-US jurisdictions' laws. Since other jurisdictions have not adopted similarly broad clearing requirements, the CFTC's proposal, if adopted, could fragment liquidity in the interest rate swap markets, making it more expensive for Credit Suisse to trade in those markets.

The Fed has proposed rules designed to improve the resolvability of US headquartered global systemically important banks (G-SIBs) and the US operations of non-US G-SIBs, such as our US operations. The proposed rules would require covered entities to include provisions in certain "qualified financial contracts" under which counterparties agree to be subject to the stays on early termination rights that would apply if the covered entity became subject to certain US special resolution regimes. This requirement is similar to requirements introduced in Germany, Switzerland and the United Kingdom to which we are already subject. The proposed rules would also require counterparties of covered entities to agree not to exercise certain early termination rights that arise based on an affiliate of the entity entering bankruptcy proceedings or other insolvency proceedings. It is expected that the International Swaps and Derivatives Association (ISDA) will produce a US module to its ISDA Resolution Stay Jurisdictional Modular Protocol to facilitate compliance by the broader market with the Fed's final requirements.

On June 9, 2016, the European Commission announced that it is delaying the adoption of the draft regulatory technical standards on risk mitigation techniques for non-centrally cleared over-the-counter (OTC) derivatives. When adopted, these rules will require the two-way exchange of initial and variation margin for non-centrally cleared OTC derivatives. It was initially announced that the final EU margin rules would become effective on September 1, 2016 as internationally agreed per the BCBS and the International Organization of Securities Commissions, but a revised commencement date has not yet been announced. When in force, the new rules will apply to our trading of in-scope non-cleared OTC derivative contracts with other large, globally active swap dealers.

On June 17, 2016, the Swiss Parliament adopted the Corporate Tax Reform Act III (CTR III), which aims at strengthening the Swiss tax system in light of the abolition of cantonal tax privileges for holding companies, mixed companies and domicile companies. The final version of the CTR III included a notional interest deduction, which had been proposed during deliberations. Some cantons have already announced that they will considerably lower their corporate income tax rates. The CTR III is still subject to a possible referendum. If no referendum is sought, the CTR III is expected to become effective as of January 1, 2017.

On June 23, 2016, voters in the UK voted to leave the EU in a non-binding referendum. Following any formal notification by the UK of its decision to exit the EU, negotiations would commence to determine the future terms of the parties' relationship. This would include the renegotiation, either during a transitional period or more permanently, of a number of regulatory and other arrangements between the EU and the UK that directly impact our business. Adverse changes to any of these arrangements, and even uncertainty over potential changes during any period of negotiation, could potentially impact our results in the UK or other markets we serve.

▸ Refer to "Overview and risk-related developments" in II – Treasury, risk, balance sheet and off-balance sheet – Risk management for additional information on the impact of UK referendum on European Union membership on our risk management activities.

On June 30, 2016, the benchmarks regulation entered in to force. The regulation sets out various requirements which will govern the activities of benchmark administrators and submitters. The majority of the provisions of the benchmark regulation will apply from January 1, 2018. Certain restrictions and rules introduced by the benchmark regulation will apply to Credit Suisse in its capacity as benchmark user and contributor.

On July 1, 2016, EU legislation came into force to postpone the date of application of MiFID II and the Markets in Financial Instruments Regulation from January 3, 2017 to January 3, 2018.

On July 1, 2016, the Swiss federal act on the freezing and restitution of illicitly acquired assets of foreign politically exposed persons entered into force.

On July 14, 2016, the US Securities and Exchange Commission (SEC) adopted final rules amending certain aspects of its security-based swap (SBS) reporting rules and establishing a final implementation schedule for those rules. The amendments included an expansion of the SEC's SBS reporting requirements (including the public dissemination of transaction information) to cover SBS between a non-US SBS dealer, such as Credit Suisse International or Credit Suisse Securities (Europe) Limited, and a non-US SBS counterparty that are arranged, negotiated or executed by US personnel acting on behalf of the non-US SBS dealer. Such expansion could deter non-US SBS counterparties from interacting with our US personnel. Mitigating this issue could require us to reorganize our front office functions accordingly, which could impede effective risk management and market making activities in SBSs based on US companies. The SEC adopted a final implementation schedule which requires Credit Suisse to comply with SBS reporting rules shortly after SBS dealer registration.

▸ Refer to "Regulation and supervision" in I – Information on the company in the Credit Suisse Annual Report 2015 for further information and "Regulatory developments and proposals" and "Regulatory framework" in II – Treasury, risk, balance sheet and off-balance sheet – Capital management and Liquidity and funding management, respectively, for further information.

## ADJUSTED RESULTS

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

### Reconciliation of adjusted results

| | Core Results | | | Strategic Resolution Unit | | | **Credit Suisse** | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 |
| **Reconciliation of adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,471** | **5,179** | **6,545** | **(363)** | **(541)** | **410** | **5,108** | **4,638** | **6,955** |
| Fair value on own debt | – | – | (228) | – | – | – | – | – | (228) |
| Real estate gains | 0 | 0 | (23) | 0 | 0 | 0 | 0 | 0 | (23) |
| (Gains)/losses on business sales [1] | 0 | 52 | 0 | 0 | 4 | 0 | 0 | 56 | 0 |
| **Adjusted net revenues** | **5,471** | **5,231** | **6,294** | **(363)** | **(537)** | **410** | **5,108** | **4,694** | **6,704** |
| **Provision for credit losses** | **9** | **35** | **39** | **(37)** | **115** | **12** | **(28)** | **150** | **51** |
| **Total operating expenses** | **4,504** | **4,375** | **4,600** | **433** | **597** | **648** | **4,937** | **4,972** | **5,248** |
| Restructuring expenses | (71) | (176) | – | (20) | (79) | – | (91) | (255) | – |
| Major litigation provisions | 0 | 0 | (54) | 0 | 0 | (9) | 0 | 0 | (63) |
| **Adjusted total operating expenses** | **4,433** | **4,199** | **4,546** | **413** | **518** | **639** | **4,846** | **4,717** | **5,185** |
| **Income/(loss) before taxes** | **958** | **769** | **1,906** | **(759)** | **(1,253)** | **(250)** | **199** | **(484)** | **1,656** |
| Total adjustments | 71 | 228 | (197) | 20 | 83 | 9 | 91 | 311 | (188) |
| **Adjusted income/(loss) before taxes** | **1,029** | **997** | **1,709** | **(739)** | **(1,170)** | **(241)** | **290** | **(173)** | **1,468** |

| | Core Results | | Strategic Resolution Unit | | **Credit Suisse** | |
|---|---|---|---|---|---|---|
| in | **6M16** | 6M15 | **6M16** | 6M15 | **6M16** | 6M15 |
| **Reconciliation of adjusted results (CHF million)** | | | | | | |
| **Net revenues** | **10,650** | **12,877** | **(904)** | **725** | **9,746** | **13,602** |
| Fair value on own debt | – | (372) | – | – | – | (372) |
| Real estate gains | 0 | (23) | 0 | 0 | 0 | (23) |
| (Gains)/losses on business sales [1] | 52 | 0 | 4 | 0 | 56 | 0 |
| **Adjusted net revenues** | **10,702** | **12,482** | **(900)** | **725** | **9,802** | **13,207** |
| **Provision for credit losses** | **44** | **65** | **78** | **16** | **122** | **81** |
| **Total operating expenses** | **8,879** | **9,091** | **1,030** | **1,263** | **9,909** | **10,354** |
| Restructuring expenses | (247) | – | (99) | – | (346) | – |
| Major litigation provisions | 0 | (44) | 0 | (9) | 0 | (53) |
| **Adjusted total operating expenses** | **8,632** | **9,047** | **931** | **1,254** | **9,563** | **10,301** |
| **Income/(loss) before taxes** | **1,727** | **3,721** | **(2,012)** | **(554)** | **(285)** | **3,167** |
| Total adjustments | 299 | (351) | 103 | 9 | 402 | (342) |
| **Adjusted income/(loss) before taxes** | **2,026** | **3,370** | **(1,909)** | **(545)** | **117** | **2,825** |

[1] Reflects a reclassification of CHF 52 million from cumulative translation adjustments to other revenues in the Corporate Center in connection with the sale of Credit Suisse (Gibraltar) Limited in 6M16.

## CORE RESULTS

### 2Q16 results

In 2Q16, Core Results net revenues of CHF 5,471 million increased 6% compared to 1Q16, primarily reflecting higher net revenues in Global Markets and Investment Banking & Capital Markets. Provision for credit losses was CHF 9 million, primarily reflecting net provisions of CHF 16 million in International Wealth Management and CHF 9 million in Swiss Universal Bank, partially offset by a release of the provision for credit losses of CHF 17 million in Global Markets. Total operating expenses of CHF 4,504 million decreased 3% compared to 1Q16. Compensation and benefits increased 13%, primarily related to increases in Global Markets, International Wealth Management and Investment Banking & Capital Markets. General and administrative expenses decreased 2%. In addition, we incurred CHF 71 million of restructuring expenses in 2Q16 in connection with our new strategy.

Core Results net revenues decreased 16% compared to 2Q15, primarily reflecting lower net revenues in Corporate Center and Global Markets. Total operating expenses decreased 2% compared to 2Q15. Compensation and benefits decreased slightly, primarily related to decreases in Global Markets, Investment Banking & Capital Markets and International Wealth Management, partially offset by an increase in Asia Pacific. General and administrative expenses decreased 6%, primarily related to decreases in Swiss Universal Bank and Global Markets.

## Credit Suisse and Core Results

| | | | Core Results | | | Strategic Resolution Unit | | | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,471** | **5,179** | **6,545** | **(363)** | **(541)** | **410** | **5,108** | **4,638** | **6,955** |
| **Provision for credit losses** | **9** | **35** | **39** | **(37)** | **115** | **12** | **(28)** | **150** | **51** |
| Compensation and benefits | 2,572 | 2,272 | 2,606 | 162 | 210 | 308 | 2,734 | 2,482 | 2,914 |
| General and administrative expenses | 1,530 | 1,556 | 1,625 | 230 | 292 | 303 | 1,760 | 1,848 | 1,928 |
| Commission expenses | 331 | 371 | 369 | 21 | 16 | 37 | 352 | 387 | 406 |
| Restructuring expenses | 71 | 176 | – | 20 | 79 | – | 91 | 255 | – |
| Total other operating expenses | 1,932 | 2,103 | 1,994 | 271 | 387 | 340 | 2,203 | 2,490 | 2,334 |
| **Total operating expenses** | **4,504** | **4,375** | **4,600** | **433** | **597** | **648** | **4,937** | **4,972** | **5,248** |
| **Income/(loss) before taxes** | **958** | **769** | **1,906** | **(759)** | **(1,253)** | **(250)** | **199** | **(484)** | **1,656** |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Return on regulatory capital | 9.4 | 7.6 | 17.3 | – | – | – | 1.6 | – | 12.2 |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Total assets | 723,106 | 708,612 | 771,297 | 98,058 | 105,286 | 108,025 | 821,164 | 813,898 | 879,322 |
| Risk-weighted assets [1] | 214,974 | 216,257 | 204,704 | 56,481 | 64,125 | 71,927 | 271,455 | 280,382 | 276,631 |
| Leverage exposure [1] | 822,743 | 809,653 | 872,138 | 143,805 | 159,888 | 189,687 | 966,548 | 969,541 | 1,061,825 |

[1] Disclosed on a look-through basis.

## Credit Suisse and Core Results

| | Core Results | | Strategic Resolution Unit | | **Credit Suisse** | |
|---|---|---|---|---|---|---|
| in / end of | **6M16** | 6M15 | **6M16** | 6M15 | **6M16** | 6M15 |
| **Statements of operations (CHF million)** | | | | | | |
| **Net revenues** | **10,650** | **12,877** | **(904)** | **725** | **9,746** | **13,602** |
| **Provision for credit losses** | **44** | **65** | **78** | **16** | **122** | **81** |
| Compensation and benefits | 4,844 | 5,286 | 372 | 604 | 5,216 | 5,890 |
| General and administrative expenses | 3,086 | 3,086 | 522 | 580 | 3,608 | 3,666 |
| Commission expenses | 702 | 719 | 37 | 79 | 739 | 798 |
| Restructuring expenses | 247 | – | 99 | – | 346 | – |
| Total other operating expenses | 4,035 | 3,805 | 658 | 659 | 4,693 | 4,464 |
| **Total operating expenses** | **8,879** | **9,091** | **1,030** | **1,263** | **9,909** | **10,354** |
| **Income/(loss) before taxes** | **1,727** | **3,721** | **(2,012)** | **(554)** | **(285)** | **3,167** |
| **Statement of operations metrics (%)** | | | | | | |
| Return on regulatory capital | 8.5 | 16.8 | – | – | – | 11.5 |

## Core Results by business activity

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | 2Q16 Core Results | 1Q16 Core Results | 2Q15 Core Results |
|---|---|---|---|---|---|---|---|---|---|
| **Related to private banking (CHF million)** | | | | | | | | | |
| Net revenues | 840 | 811 | 337 | – | – | – | 1,988 | 2,018 | 2,093 |
| of which net interest income | 441 | 304 | 143 | – | – | – | 888 | 919 | 803 |
| of which recurring | 240 | 273 | 70 | – | – | – | 583 | 584 | 661 |
| of which transaction-based | 159 | 236 | 124 | – | – | – | 519 | 531 | 607 |
| Provision for credit losses | 7 | 16 | 2 | – | – | – | 25 | (10) | 8 |
| Total operating expenses | 582 | 611 | 245 | – | – | – | 1,438 | 1,470 | 1,497 |
| **Income before taxes** | **251** | **184** | **90** | **–** | **–** | **–** | **525** | **558** | **588** |
| **Related to corporate & institutional banking** | | | | | | | | | |
| Net revenues | 497 | – | – | – | – | – | 497 | 510 | 506 |
| of which net interest income | 242 | – | – | – | – | – | 242 | 272 | 238 |
| of which recurring | 123 | – | – | – | – | – | 123 | 109 | 113 |
| of which transaction-based | 146 | – | – | – | – | – | 146 | 139 | 162 |
| Provision for credit losses | 2 | – | – | – | – | – | 2 | (3) | 24 |
| Total operating expenses | 293 | – | – | – | – | – | 293 | 286 | 271 |
| **Income before taxes** | **202** | **–** | **–** | **–** | **–** | **–** | **202** | **227** | **211** |
| **Related to investment banking** | | | | | | | | | |
| Net revenues | – | – | 574 | 1,630 | 543 | – | 2,747 | 2,221 | 3,227 |
| of which fixed income sales and trading | – | – | 167 | 722 | – | – | 889 | 724 | 1,056 |
| of which equity sales and trading | – | – | 340 | 669 | – | – | 1,009 | 945 | 1,264 |
| of which underwriting and advisory | – | – | 100 | 297 | 576 | – | 973 | 667 | 961 |
| Provision for credit losses | – | – | 1 | (17) | 0 | – | (16) | 47 | 7 |
| Total operating expenses | – | – | 457 | 1,493 | 408 | – | 2,358 | 2,290 | 2,436 |
| **Income/(loss) before taxes** | **–** | **–** | **116** | **154** | **135** | **–** | **405** | **(116)** | **784** |
| **Related to asset management** | | | | | | | | | |
| Net revenues | – | 334 | – | – | – | – | 334 | 320 | 335 |
| Total operating expenses | – | 273 | – | – | – | – | 273 | 253 | 275 |
| **Income before taxes** | **–** | **61** | **–** | **–** | **–** | **–** | **61** | **67** | **60** |
| **Related to corporate center** | | | | | | | | | |
| Net revenues | – | – | – | – | – | (95) | (95) | 110 | 384 |
| Provision for credit losses | – | – | – | – | – | (2) | (2) | 1 | 0 |
| Total operating expenses | – | – | – | – | – | 142 | 142 | 76 | 121 |
| **Income/(loss) before taxes** | **–** | **–** | **–** | **–** | **–** | **(235)** | **(235)** | **33** | **263** |
| **Total** | | | | | | | | | |
| Net revenues | 1,337 | 1,145 | 911 | 1,630 | 543 | (95) | 5,471 | 5,179 | 6,545 |
| Provision for credit losses | 9 | 16 | 3 | (17) | 0 | (2) | 9 | 35 | 39 |
| Total operating expenses | 875 | 884 | 702 | 1,493 | 408 | 142 | 4,504 | 4,375 | 4,600 |
| **Income/(loss) before taxes** | **453** | **245** | **206** | **154** | **135** | **(235)** | **958** | **769** | **1,906** |

# Swiss Universal Bank

In 2Q16, we reported income before taxes of CHF 453 million and net revenues of CHF 1,337 million. Income before taxes was CHF 21 million higher compared to 1Q16 and CHF 15 million lower compared to 2Q15.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, we reported income before taxes of CHF 453 million and net revenues of CHF 1,337 million. Compared to 1Q16, net revenues were stable, with lower net interest income offset by higher recurring commissions and fees and higher transaction-based revenues. Total operating expenses decreased 5% compared to 1Q16, primarily reflecting lower restructuring expenses and lower general and administrative expenses partly offset by slightly higher compensation and benefits.

Compared to 2Q15, net revenues were 9% lower, mainly due to lower recurring commissions and fees and lower transaction-based revenues, including the impact from the deconsolidation of the cards issuing business in 2015. Total operating expenses decreased 9% compared to 2Q15 with lower general and administrative expenses, reflecting the deconsolidation of the cards issuing business.

Adjusted income before taxes of CHF 457 million was slightly lower compared to 1Q16 and increased slightly compared to 2Q15.

### Capital and leverage metrics

As of the end of 2Q16, we reported risk-weighted assets of CHF 64.6 billion, an increase of CHF 0.2 billion compared to the end of 1Q16. Leverage exposure was CHF 245.1 billion, reflecting an increase of CHF 3.0 billion compared to the end of 1Q16, driven by increased high-quality liquid assets (HQLA) balances associated with funding requirements.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,337** | **1,356** | **1,462** | (1) | (9) | **2,693** | **2,862** | (6) |
| **Provision for credit losses** | **9** | **6** | **33** | 50 | (73) | **15** | **56** | (73) |
| Compensation and benefits | 490 | 476 | 496 | 3 | (1) | 966 | 981 | (2) |
| General and administrative expenses | 309 | 330 | 395 | (6) | (22) | 639 | 772 | (17) |
| Commission expenses | 72 | 72 | 70 | 0 | 3 | 144 | 142 | 1 |
| Restructuring expenses | 4 | 40 | – | (90) | – | 44 | – | – |
| Total other operating expenses | 385 | 442 | 465 | (13) | (17) | 827 | 914 | (10) |
| **Total operating expenses** | **875** | **918** | **961** | (5) | (9) | **1,793** | **1,895** | (5) |
| **Income before taxes** | **453** | **432** | **468** | 5 | (3) | **885** | **911** | (3) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 14.9 | 14.4 | 15.0 | – | – | 14.6 | 14.7 | – |
| Cost/income ratio | 65.4 | 67.7 | 65.7 | – | – | 66.6 | 66.2 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 5,530 | 5,366 | 5,017 | 3 | 10 | 5,431 | 5,116 | 6 |
| Pre-tax return on average economic risk capital (%) [1] | 32.8 | 32.3 | 37.4 | – | – | 32.7 | 35.7 | – |
| **Number of employees and relationship managers** | | | | | | | | |
| Number of employees (full-time equivalents) | 13,280 | 13,500 | 12,830 | (2) | 4 | 13,280 | 12,830 | 4 |
| Number of relationship managers | 2,000 | 2,040 | 2,060 | (2) | (3) | 2,000 | 2,060 | (3) |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Private Banking | 840 | 846 | 956 | (1) | (12) | 1,686 | 1,876 | (10) |
| Corporate & Institutional Banking | 497 | 510 | 506 | (3) | (2) | 1,007 | 986 | 2 |
| **Net revenues** | **1,337** | **1,356** | **1,462** | (1) | (9) | **2,693** | **2,862** | (6) |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 683 | 732 | 685 | (7) | 0 | 1,415 | 1,296 | 9 |
| Recurring commissions and fees | 363 | 344 | 412 | 6 | (12) | 707 | 824 | (14) |
| Transaction-based revenues | 305 | 288 | 349 | 6 | (13) | 593 | 731 | (19) |
| Other revenues | (14) | (8) | 16 | 75 | – | (22) | 11 | – |
| **Net revenues** | **1,337** | **1,356** | **1,462** | (1) | (9) | **2,693** | **2,862** | (6) |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 33 | 26 | 51 | 27 | (35) | 59 | 88 | (33) |
| Releases of provisions | (24) | (20) | (18) | 20 | 33 | (44) | (32) | 38 |
| **Provision for credit losses** | **9** | **6** | **33** | 50 | (73) | **15** | **56** | (73) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 224,866 | 222,653 | 220,912 | 1 | 2 | 224,866 | 220,912 | 2 |
| Net loans | 164,661 | 162,941 | 162,755 | 1 | 1 | 164,661 | 162,755 | 1 |
| Risk-weighted assets | 64,604 | 64,437 | 58,349 | 0 | 11 | 64,604 | 58,349 | 11 |
| Leverage exposure | 245,108 | 242,144 | 243,946 | 1 | 0 | 245,108 | 243,946 | 0 |

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

## Reconciliation of adjusted results

| | | Private Banking | | | Corporate & Institutional Banking | | | **Swiss Universal Bank** | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **840** | **846** | **956** | **497** | **510** | **506** | **1,337** | **1,356** | **1,462** |
| Real estate gains | 0 | 0 | (23) | 0 | 0 | 0 | 0 | 0 | (23) |
| **Adjusted net revenues** | **840** | **846** | **933** | **497** | **510** | **506** | **1,337** | **1,356** | **1,439** |
| **Provision for credit losses** | **7** | **9** | **9** | **2** | **(3)** | **24** | **9** | **6** | **33** |
| **Total operating expenses** | **582** | **632** | **690** | **293** | **286** | **271** | **875** | **918** | **961** |
| Restructuring expenses | (3) | (35) | – | (1) | (5) | – | (4) | (40) | – |
| **Adjusted total operating expenses** | **579** | **597** | **690** | **292** | **281** | **271** | **871** | **878** | **961** |
| **Income before taxes** | **251** | **205** | **257** | **202** | **227** | **211** | **453** | **432** | **468** |
| Total adjustments | 3 | 35 | (23) | 1 | 5 | 0 | 4 | 40 | (23) |
| **Adjusted income before taxes** | **254** | **240** | **234** | **203** | **232** | **211** | **457** | **472** | **445** |

Adjusted results are non-GAAP financial measures. Refer to “Adjusted results” in Credit Suisse for further information.

## Reconciliation of adjusted results (continued)

| | Private Banking | | Corporate & Institutional Banking | | **Swiss Universal Bank** | |
|---|---|---|---|---|---|---|
| in | **6M16** | 6M15 | **6M16** | 6M15 | **6M16** | 6M15 |
| **Adjusted results (CHF million)** | | | | | | |
| **Net revenues** | **1,686** | **1,876** | **1,007** | **986** | **2,693** | **2,862** |
| Real estate gains | 0 | (23) | 0 | 0 | 0 | (23) |
| **Adjusted net revenues** | **1,686** | **1,853** | **1,007** | **986** | **2,693** | **2,839** |
| **Provision for credit losses** | **16** | **21** | **(1)** | **35** | **15** | **56** |
| **Total operating expenses** | **1,214** | **1,349** | **579** | **546** | **1,793** | **1,895** |
| Restructuring expenses | (38) | – | (6) | – | (44) | – |
| **Adjusted total operating expenses** | **1,176** | **1,349** | **573** | **546** | **1,749** | **1,895** |
| **Income before taxes** | **456** | **506** | **429** | **405** | **885** | **911** |
| Total adjustments | 38 | (23) | 6 | 0 | 44 | (23) |
| **Adjusted income before taxes** | **494** | **483** | **435** | **405** | **929** | **888** |

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

# PRIVATE BANKING

## RESULTS

Income before taxes of CHF 251 million increased 22% compared to 1Q16, reflecting lower total operating expenses and stable net revenues. Compared to 2Q15, income before taxes decreased slightly, with lower net revenues mainly offset by lower total operating expenses. Adjusted income before taxes of CHF 254 million increased 6% compared to 1Q16 and 9% compared to 2Q15.

### Net revenues

Compared to 1Q16, net revenues of CHF 840 million were stable, with lower net interest income mainly offset by higher transaction-based revenues and slightly higher recurring commissions and fees. Net interest income of CHF 441 million decreased CHF 19 million, with decreased deposit margins partially offset by slightly increased average loan volumes. Transaction-based revenues of CHF 159 million increased 7% driven by the proceeds from the sale of our equity stake in Visa Europe Ltd. to Visa Inc. and a regular dividend from our ownership interest in SIX Group AG, partly offset by lower sales and trading revenues, fees from foreign exchange client business and brokerage and product issuing fees. Recurring commissions and fees of CHF 240 million were slightly higher, reflecting higher average assets under management.

Compared to 2Q15, net revenues decreased 12%, mainly driven by lower recurring commissions and fees and lower transaction-based revenues. Recurring commissions and fees decreased 20%, reflecting the CHF 59 million impact from the deconsolidation of the cards issuing business. Transaction-based revenues decreased 15% with lower client activity and lower sales and trading revenues. Net interest income was stable, driven by lower deposit margins on stable average deposit volumes, mainly offset by slightly improved loan margins on stable average loan volumes. Adjusted net revenues decreased 10% compared to 2Q15.

## Results – Private Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **840** | **846** | **956** | (1) | (12) | **1,686** | **1,876** | (10) |
| **Provision for credit losses** | **7** | **9** | **9** | (22) | (22) | **16** | **21** | (24) |
| Compensation and benefits | 308 | 314 | 336 | (2) | (8) | 622 | 657 | (5) |
| General and administrative expenses | 224 | 236 | 307 | (5) | (27) | 460 | 595 | (23) |
| Commission expenses | 47 | 47 | 47 | 0 | 0 | 94 | 97 | (3) |
| Restructuring expenses | 3 | 35 | – | (91) | – | 38 | – | – |
| Total other operating expenses | 274 | 318 | 354 | (14) | (23) | 592 | 692 | (14) |
| **Total operating expenses** | **582** | **632** | **690** | (8) | (16) | **1,214** | **1,349** | (10) |
| **Income before taxes** | **251** | **205** | **257** | 22 | (2) | **456** | **506** | (10) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 69.3 | 74.7 | 72.2 | – | – | 72.0 | 71.9 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 441 | 460 | 447 | (4) | (1) | 901 | 853 | 6 |
| Recurring commissions and fees | 240 | 235 | 299 | 2 | (20) | 475 | 590 | (19) |
| Transaction-based revenues | 159 | 149 | 187 | 7 | (15) | 308 | 410 | (25) |
| Other revenues | 0 | 2 | 23 | (100) | (100) | 2 | 23 | (91) |
| **Net revenues** | **840** | **846** | **956** | (1) | (12) | **1,686** | **1,876** | (10) |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 140 | 142 | 149 | – | – | 141 | 147 | – |
| Net margin [2] | 42 | 34 | 40 | – | – | 38 | 40 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 1,530 | 1,560 | 1,580 | (2) | (3) | 1,530 | 1,580 | (3) |

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

### Provision for credit losses

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

In 2Q16, Private Banking recorded provision for credit losses of CHF 7 million compared to CHF 9 million in both 1Q16 and 2Q15. The provision was primarily related to our consumer finance business.

### Total operating expenses

Compared to 1Q16, total operating expenses of CHF 582 million decreased 8%, primarily reflecting lower restructuring expenses, decreased general and administrative expenses and slightly lower compensation and benefits. General and administrative expenses of CHF 224 million decreased 5% due to lower allocated corporate function costs, including the impact of the changes to the methodology for the allocation of corporate function costs, partially offset by higher advertising and marketing costs. Compensation and benefits of CHF 308 million were slightly lower compared to 1Q16 reflecting lower allocated corporate function costs partially offset by higher salary expenses. Adjusted total operating expenses decreased slightly compared to 1Q16.

Compared to 2Q15, total operating expenses decreased 16%, mainly driven by lower general and administrative expenses and lower compensation and benefits. General and administrative expenses decreased 27%, primarily reflecting the impact of CHF 62 million from the deconsolidation of the cards issuing business. Compensation and benefits decreased 8%, reflecting lower discretionary compensation expenses, lower deferred compensation expenses from prior-year awards and lower pension expenses.

## MARGINS

### Gross margin

Our gross margin was 140 basis points in 2Q16, two basis points lower compared to 1Q16, mainly reflecting lower net interest income and higher average assets under management. Compared to 2Q15, our gross margin was nine basis points lower, mainly driven by lower recurring commissions and fees, reflecting the impact of the deconsolidation of the cards issuing business and lower transaction-based revenues, partially offset by a 6.1% decrease in average assets under management, including a reclassification in 3Q15 of CHF 15.8 billion of assets under management to assets under custody within client assets due to the introduction of an updated assets under management policy in 2015.

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

### Net margin

Our net margin was 42 basis points in 2Q16, eight basis points higher compared to 1Q16, mainly due to lower total operating

expenses, partially offset by higher average assets under management. Compared to 2Q15, our net margin was two basis points higher, with lower total operating expenses due to the deconsolidation of the cards issuing business and the 6.1% decrease in average assets under management, mainly offset by lower net revenues. On the basis of adjusted income before taxes, our net margin was 42 basis points in 2Q16, two basis points higher compared to 1Q16 and five basis points higher compared to 2Q15.

### ASSETS UNDER MANAGEMENT

As of the end of 2Q16, assets under management of CHF 241.4 billion were CHF 5.3 billion higher compared to the end of 1Q16, driven by favorable market movements and net new assets of CHF 0.9 billion.

### Assets under management – Private Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 241.4 | 236.1 | 253.6 | 2.2 | (4.8) | 241.4 | 253.6 | (4.8) |
| Average assets under management | 240.8 | 238.1 | 256.4 | 1.1 | (6.1) | 239.4 | 254.8 | (6.0) |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 40.8 | 39.7 | 41.7 | 2.8 | (2.2) | 40.8 | 41.7 | (2.2) |
| EUR | 36.7 | 35.9 | 32.0 | 2.2 | 14.7 | 36.7 | 32.0 | 14.7 |
| CHF | 152.5 | 149.7 | 163.6 | 1.9 | (6.8) | 152.5 | 163.6 | (6.8) |
| Other | 11.4 | 10.8 | 16.3 | 5.6 | (30.1) | 11.4 | 16.3 | (30.1) |
| **Assets under management** | **241.4** | **236.1** | **253.6** | 2.2 | (4.8) | **241.4** | **253.6** | (4.8) |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 0.9 | 0.7 | 1.5 | – | – | 1.6 | 3.0 | – |
| Other effects | 4.4 | (5.6) | (4.4) | – | – | (1.2) | (8.0) | – |
| of which market movements | 3.3 | (4.6) | (2.5) | – | – | (1.3) | 3.5 | – |
| of which foreign exchange | 0.1 | (1.3) | (1.7) | – | – | (1.2) | (8.9) | – |
| of which other | 1.0 | 0.3 | (0.2) | – | – | 1.3 | (2.6) | – |
| **Growth in assets under management** | **5.3** | **(4.9)** | **(2.9)** | – | – | **0.4** | **(5.0)** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 1.5 | 1.1 | 2.3 | – | – | 1.3 | 2.3 | – |
| Other effects | 7.5 | (9.2) | (6.8) | – | – | (1.0) | (6.2) | – |
| **Growth in assets under management (annualized)** | **9.0** | **(8.1)** | **(4.5)** | – | – | **0.3** | **(3.9)** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 0.7 | 0.9 | 0.5 | – | – | – | – | – |
| Other effects | (5.5) | (8.9) | (2.8) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **(4.8)** | **(8.0)** | **(2.3)** | – | – | – | – | – |

## CORPORATE & INSTITUTIONAL BANKING

### RESULTS

Income before taxes of CHF 202 million decreased 11% compared to 1Q16, mainly due to slightly lower net revenues and slightly higher total operating expenses. Compared to 2Q15, income before taxes was 4% lower, with higher total operating expenses and slightly lower net revenues, partially offset by significantly lower provision for credit losses. Adjusted income before taxes of CHF 203 million decreased 13% compared to 1Q16 and 4% compared to 2Q15.

#### Net revenues

Compared to 1Q16, net revenues of CHF 497 million decreased slightly, with lower net interest income, partly offset by increased recurring commissions and fees and an increase of transaction-based revenues. Net interest income of CHF 242 million decreased 11%, due to decreased deposit margins on lower average deposit volumes. Recurring commissions and fees were CHF 123 million, 13% higher reflecting improved revenues from wealth structuring solutions and higher fees from lending activities. Transaction-based revenues of CHF 146 million increased 5%, with higher revenues from our Swiss investment banking business partially offset by lower sales and trading revenues.

Compared to 2Q15, net revenues decreased slightly due to lower transaction-based revenues and lower other revenues, partially offset by higher recurring commissions and fees and slightly higher net interest income. Transaction-based revenues decreased

10% with lower sales and trading revenues and lower corporate advisory fees, partly offset by higher revenues from our Swiss investment banking business. Other revenues decreased CHF 7 million due to higher fair value losses on synthetic securitized loan portfolios. Recurring commissions and fees increased 9%, primarily reflecting higher fees from lending activities and increased revenues from wealth structuring solutions. Net interest income increased slightly, driven by improved loan and deposit margins on stable average loan volumes and decreased average deposit volumes.

## Results – Corporate & Institutional Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **497** | **510** | **506** | (3) | (2) | **1,007** | **986** | 2 |
| **Provision for credit losses** | **2** | **(3)** | **24** | – | (92) | **(1)** | **35** | – |
| Compensation and benefits | 182 | 162 | 160 | 12 | 14 | 344 | 324 | 6 |
| General and administrative expenses | 85 | 94 | 88 | (10) | (3) | 179 | 177 | 1 |
| Commission expenses | 25 | 25 | 23 | 0 | 9 | 50 | 45 | 11 |
| Restructuring expenses | 1 | 5 | – | (80) | – | 6 | – | – |
| Total other operating expenses | 111 | 124 | 111 | (10) | 0 | 235 | 222 | 6 |
| **Total operating expenses** | **293** | **286** | **271** | 2 | 8 | **579** | **546** | 6 |
| **Income before taxes** | **202** | **227** | **211** | (11) | (4) | **429** | **405** | 6 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 59.0 | 56.1 | 53.6 | – | – | 57.5 | 55.4 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 242 | 272 | 238 | (11) | 2 | 514 | 443 | 16 |
| Recurring commissions and fees | 123 | 109 | 113 | 13 | 9 | 232 | 234 | (1) |
| Transaction-based revenues | 146 | 139 | 162 | 5 | (10) | 285 | 321 | (11) |
| Other revenues | (14) | (10) | (7) | 40 | 100 | (24) | (12) | 100 |
| **Net revenues** | **497** | **510** | **506** | (3) | (2) | **1,007** | **986** | 2 |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 470 | 480 | 480 | (2) | (2) | 470 | 480 | (2) |

### Provision for credit losses

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

In 2Q16, Corporate & Institutional Banking recorded provision for credit losses of CHF 2 million compared to a release of provision for credit losses of CHF 3 million in 1Q16 and provision for credit losses of CHF 24 million in 2Q15.

### Total operating expenses

Compared to 1Q16, total operating expenses of CHF 293 million increased slightly with higher compensation and benefits, mainly offset by lower general and administrative expenses and lower restructuring expenses. Compensation and benefits of CHF 182 million increased 12%, driven by higher discretionary compensation expenses and higher social security costs. General and administrative expenses of CHF 85 million decreased 10% due to lower allocated corporate function costs.

Compared to 2Q15, total operating expenses increased 8% driven by higher compensation and benefits, partly offset by slightly lower general and administrative expenses. Compensation and benefits were 14% higher, driven by higher discretionary compensation expenses and higher deferred compensation expenses from prior-year awards partially offset by lower salary expenses. General and administrative expenses decreased slightly.

## ASSETS UNDER MANAGEMENT

As of the end of 2Q16, assets under management of CHF 280.9 billion were CHF 7.3 billion higher compared to the end of 1Q16, driven by favorable market and foreign exchange-related movements and net new assets of CHF 0.7 billion.

# International Wealth Management

In 2Q16, we reported income before taxes of CHF 245 million and net revenues of CHF 1,145 million.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, we reported income before taxes of CHF 245 million and net revenues of CHF 1,145 million. Compared to 1Q16, net revenues decreased slightly due to a residual gain from a private equity interest in Asset Management recorded in 1Q16, lower sales and trading revenues and a decrease in net interest income, partially offset by higher investment-related gains in 2Q16. Provision for credit losses increased. Total operating expenses were stable compared to 1Q16 as higher compensation and benefits were offset by lower general and administrative expenses.

Net revenues were slightly lower compared to 2Q15, primarily reflecting lower transaction- and performance-based revenues and lower recurring commissions and fees, partially offset by higher net interest income and higher investment-related gains. Provision for credit losses increased. Total operating expenses were stable as slightly lower compensation and benefits and lower general and administrative expenses were offset by restructuring expenses.

Adjusted income before taxes of CHF 260 million decreased 16% and 4% compared to 1Q16 and 2Q15, respectively.

### Capital and leverage metrics

As of the end of 2Q16, we reported risk-weighted assets of CHF 33.6 billion, an increase of CHF 0.6 billion compared to the end of 1Q16. Leverage exposure was CHF 95.4 billion, reflecting an increase of CHF 4.6 billion compared to the end of 1Q16, driven by increased HQLA balances associated with funding requirements.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,145** | **1,173** | **1,165** | (2) | (2) | **2,318** | **2,286** | 1 |
| **Provision for credit losses** | **16** | **(2)** | **(1)** | – | – | **14** | **1** | – |
| Compensation and benefits | 540 | 501 | 557 | 8 | (3) | 1,041 | 1,086 | (4) |
| General and administrative expenses | 266 | 305 | 276 | (13) | (4) | 571 | 526 | 9 |
| Commission expenses | 63 | 61 | 61 | 3 | 3 | 124 | 123 | 1 |
| Restructuring expenses | 15 | 8 | – | 88 | – | 23 | – | – |
| Total other operating expenses | 344 | 374 | 337 | (8) | 2 | 718 | 649 | 11 |
| **Total operating expenses** | **884** | **875** | **894** | 1 | (1) | **1,759** | **1,735** | 1 |
| **Income before taxes** | **245** | **300** | **272** | (18) | (10) | **545** | **550** | (1) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 20.6 | 24.9 | 23.3 | – | – | 22.7 | 24.1 | – |
| Cost/income ratio | 77.2 | 74.6 | 76.7 | – | – | 75.9 | 75.9 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 3,751 | 3,596 | 3,256 | 4 | 15 | 3,657 | 3,238 | 13 |
| Pre-tax return on average economic risk capital (%) [1] | 27.2 | 34.4 | 34.3 | – | – | 30.9 | 34.8 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 10,010 | 10,170 | 9,380 | (2) | 7 | 10,010 | 9,380 | 7 |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Private Banking | 811 | 853 | 830 | (5) | (2) | 1,664 | 1,631 | 2 |
| Asset Management | 334 | 320 | 335 | 4 | 0 | 654 | 655 | 0 |
| **Net revenues** | **1,145** | **1,173** | **1,165** | (2) | (2) | **2,318** | **2,286** | 1 |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 304 | 325 | 252 | (6) | 21 | 629 | 472 | 33 |
| Recurring commissions and fees | 477 | 477 | 497 | 0 | (4) | 954 | 975 | (2) |
| Transaction- and performance-based revenues | 340 | 393 | 420 | (13) | (19) | 733 | 837 | (12) |
| Other revenues | 24 | (22) | (4) | – | – | 2 | 2 | 0 |
| **Net revenues** | **1,145** | **1,173** | **1,165** | (2) | (2) | **2,318** | **2,286** | 1 |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 19 | 2 | 1 | – | – | 21 | 6 | 250 |
| Releases of provisions | (3) | (4) | (2) | (25) | 50 | (7) | (5) | 40 |
| **Provision for credit losses** | **16** | **(2)** | **(1)** | – | – | **14** | **1** | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 90,156 | 85,766 | 90,999 | 5 | (1) | 90,156 | 90,999 | (1) |
| Net loans | 43,059 | 40,171 | 38,852 | 7 | 11 | 43,059 | 38,852 | 11 |
| Risk-weighted assets | 33,613 | 33,028 | 31,532 | 2 | 7 | 33,613 | 31,532 | 7 |
| Leverage exposure | 95,442 | 90,865 | 91,601 | 5 | 4 | 95,442 | 91,601 | 4 |

## Reconciliation of adjusted results

| | | Private Banking | | | Asset Management | | **International Wealth Management** | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **811** | **853** | **830** | **334** | **320** | **335** | **1,145** | **1,173** | **1,165** |
| **Provision for credit losses** | **16** | **(2)** | **(1)** | **0** | **0** | **0** | **16** | **(2)** | **(1)** |
| **Total operating expenses** | **611** | **622** | **619** | **273** | **253** | **275** | **884** | **875** | **894** |
| Restructuring expenses | (13) | (10) | – | (2) | 2 | – | (15) | (8) | – |
| **Adjusted total operating expenses** | **598** | **612** | **619** | **271** | **255** | **275** | **869** | **867** | **894** |
| **Income before taxes** | **184** | **233** | **212** | **61** | **67** | **60** | **245** | **300** | **272** |
| Total adjustments | 13 | 10 | 0 | 2 | (2) | 0 | 15 | 8 | 0 |
| **Adjusted income before taxes** | **197** | **243** | **212** | **63** | **65** | **60** | **260** | **308** | **272** |

| | | Private Banking | | Asset Management | | **International Wealth Management** | |
|---|---|---|---|---|---|---|---|
| in | **6M16** | 6M15 | **6M16** | 6M15 | **6M16** | 6M15 |
| **Adjusted results (CHF million)** | | | | | | | |
| **Net revenues** | **1,664** | **1,631** | **654** | **655** | **2,318** | **2,286** |
| **Provision for credit losses** | **14** | **1** | **0** | **0** | **14** | **1** |
| **Total operating expenses** | **1,233** | **1,186** | **526** | **549** | **1,759** | **1,735** |
| Restructuring expenses | (23) | – | 0 | – | (23) | – |
| Major litigation provisions | 0 | 10 | 0 | 0 | 0 | 10 |
| **Adjusted total operating expenses** | **1,210** | **1,196** | **526** | **549** | **1,736** | **1,745** |
| **Income before taxes** | **417** | **444** | **128** | **106** | **545** | **550** |
| Total adjustments | 23 | (10) | 0 | 0 | 23 | (10) |
| **Adjusted income before taxes** | **440** | **434** | **128** | **106** | **568** | **540** |

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

## PRIVATE BANKING

### RESULTS

Income before taxes of CHF 184 million decreased 21% and 13% compared to 1Q16 and 2Q15, respectively, primarily reflecting lower net revenues and higher provision for credit losses, partially offset by slightly lower total operating expenses. Adjusted income before taxes of CHF 197 million decreased 19% and 7% compared to 1Q16 and 2Q15, respectively.

#### Net revenues

Compared to 1Q16, net revenues of CHF 811 million were 5% lower, primarily reflecting a decline in net interest income as well as lower transaction- and performance-based revenues. Net interest income of CHF 304 million decreased 6% and reflected lower deposit margins on slightly higher average deposit volumes and stable loan margins on higher average loan volumes. Transaction- and performance-based revenues of CHF 236 million decreased 7%, mainly driven by lower sales and trading revenues, partially offset by higher equity participations income which included a regular dividend from SIX Group. Recurring commissions and fees of CHF 273 million were stable.

Compared to 2Q15, net revenues decreased slightly, primarily driven by lower transaction- and performance-based revenues and lower recurring commissions and fees, partially offset by higher net interest income. Transaction- and performance-based revenues decreased 16%, mainly driven by lower brokerage and product issuing fees, significantly lower half-yearly performance fees reflecting the challenging market conditions and lower sales and trading revenues. Recurring commissions and fees decreased 9%, primarily driven by lower security account and custody services fees and a decline in banking services fees, and included the impact of lower average assets under management. Net interest income increased 21%, primarily reflecting higher loan margins on higher average loan volumes.

### Results – Private Banking

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **811** | **853** | **830** | (5) | (2) | **1,664** | **1,631** | 2 |
| **Provision for credit losses** | **16** | **(2)** | **(1)** | – | – | **14** | **1** | – |
| Compensation and benefits | 363 | 349 | 385 | 4 | (6) | 712 | 740 | (4) |
| General and administrative expenses | 191 | 221 | 188 | (14) | 2 | 412 | 354 | 16 |
| Commission expenses | 44 | 42 | 46 | 5 | (4) | 86 | 92 | (7) |
| Restructuring expenses | 13 | 10 | – | 30 | – | 23 | – | – |
| Total other operating expenses | 248 | 273 | 234 | (9) | 6 | 521 | 446 | 17 |
| **Total operating expenses** | **611** | **622** | **619** | (2) | (1) | **1,233** | **1,186** | 4 |
| **Income before taxes** | **184** | **233** | **212** | (21) | (13) | **417** | **444** | (6) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 75.3 | 72.9 | 74.6 | – | – | 74.1 | 72.7 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 304 | 325 | 252 | (6) | 21 | 629 | 472 | 33 |
| Recurring commissions and fees | 273 | 276 | 299 | (1) | (9) | 549 | 586 | (6) |
| Transaction- and performance-based revenues | 236 | 254 | 280 | (7) | (16) | 490 | 574 | (15) |
| Other revenues | (2) | (2) | (1) | 0 | 100 | (4) | (1) | 300 |
| **Net revenues** | **811** | **853** | **830** | (5) | (2) | **1,664** | **1,631** | 2 |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 110 | 119 | 108 | – | – | 115 | 106 | – |
| Net margin [2] | 25 | 32 | 28 | – | – | 29 | 29 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 1,170 | 1,170 | 1,180 | 0 | (1) | 1,170 | 1,180 | (1) |

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

[1] Net revenues divided by average assets under management.

[2] Income before taxes divided by average assets under management.

**Provision for credit losses**

In 2Q16, Private Banking recorded provision for credit losses of CHF 16 million primarily related to a small number of individual cases, compared to releases of provision for credit losses of CHF 2 million and CHF 1 million in 1Q16 and 2Q15, respectively.

**Total operating expenses**

Compared to 1Q16, total operating expenses of CHF 611 million were slightly lower, primarily reflecting lower general and administrative expenses partially offset by higher compensation and benefits of CHF 363 million and higher restructuring expenses of CHF 13 million. General and administrative expenses of CHF 191 million decreased 14%, mainly reflecting lower allocated corporate function costs, including the impact of the changes to the methodology for the allocation of corporate function costs, and lower litigation provisions, partially offset by higher professional services fees.

Compared to 2Q15, total operating expenses were stable, primarily reflecting lower compensation and benefits, partially offset by restructuring expenses in 2Q16. Compensation and benefits decreased 6%, driven by lower discretionary compensation expenses, lower social security costs and lower deferred compensation expenses from prior-year awards, partially offset by higher salary expenses driven by higher headcount. General and administrative expenses increased slightly, primarily from higher professional services fees and higher advertising and marketing costs. Adjusted total operating expenses decreased slightly compared to 2Q15.

## MARGINS

**Gross margin**

Our gross margin was 110 basis points in 2Q16, a decline of nine basis points compared to 1Q16, mainly reflecting lower net interest income, lower transaction- and performance-based revenues and a 2.4% increase in average assets under management. Our gross margin was two basis points higher compared to 2Q15, mainly reflecting higher net interest income and a 4.5% decrease in average assets under management, partially offset by lower transaction- and performance-based revenues and lower recurring commissions and fees. In 3Q15 there was a reclassification of CHF 11.1 billion of assets under management to assets under custody within client assets due to the introduction of the updated assets under management policy in 2015.

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

**Net margin**

Our net margin was 25 basis points in 2Q16, a decline of seven basis points compared to 1Q16, reflecting lower net revenues, higher provision for credit losses and the 2.4% increase in average assets under management, partially offset by slightly lower total operating expenses. Our net margin was three basis points lower compared to 2Q15, reflecting slightly lower net revenues and higher provision for credit losses, partially offset by the 4.5% decrease in average assets under management. On the basis of adjusted income before taxes, our net margin was 27 basis points in 2Q16, seven basis points lower compared to 1Q16 and one basis point lower compared to 2Q15.

## ASSETS UNDER MANAGEMENT

As of the end of 2Q16, assets under management of CHF 298.6 billion were CHF 11.6 billion higher compared to the end of 1Q16, reflecting net new assets of CHF 5.4 billion and favorable market and foreign exchange-related movements. The net new assets reflected solid inflows from emerging markets and Europe.

### Assets under management – Private Banking

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 298.6 | 287.0 | 303.3 | 4.0 | (1.5) | 298.6 | 303.3 | (1.5) |
| Average assets under management | 294.1 | 287.2 | 307.9 | 2.4 | (4.5) | 290.6 | 307.7 | (5.6) |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 137.3 | 130.9 | 144.1 | 4.9 | (4.7) | 137.3 | 144.1 | (4.7) |
| EUR | 86.9 | 86.0 | 93.9 | 1.0 | (7.5) | 86.9 | 93.9 | (7.5) |
| CHF | 20.9 | 21.7 | 22.0 | (3.7) | (5.0) | 20.9 | 22.0 | (5.0) |
| Other | 53.5 | 48.4 | 43.3 | 10.5 | 23.6 | 53.5 | 43.3 | 23.6 |
| **Assets under management** | **298.6** | **287.0** | **303.3** | 4.0 | (1.5) | **298.6** | **303.3** | (1.5) |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 5.4 | 5.4 | 0.2 | – | – | 10.8 | (0.5) | – |
| Other effects | 6.2 | (8.0) | (7.3) | – | – | (1.8) | (19.9) | – |
| of which market movements | 4.2 | (6.3) | (1.4) | – | – | (2.1) | 7.3 | – |
| of which currency | 3.3 | (2.0) | (5.7) | – | – | 1.3 | (26.5) | – |
| of which other | (1.3) | 0.3 | (0.2) | – | – | (1.0) | (0.7) | – |
| **Growth in assets under management** | **11.6** | **(2.6)** | **(7.1)** | – | – | **9.0** | **(20.4)** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 7.5 | 7.5 | 0.3 | – | – | 7.4 | (0.3) | – |
| Other effects | 8.6 | (11.1) | (9.4) | – | – | (1.2) | (12.3) | – |
| **Growth in assets under management (annualized)** | **16.1** | **(3.6)** | **(9.1)** | – | – | **6.2** | **(12.6)** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 2.7 | 1.0 | 1.1 | – | – | – | – | – |
| Other effects | (4.3) | (8.5) | (2.8) | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **(1.6)** | **(7.5)** | **(1.7)** | – | – | – | – | – |

## ASSET MANAGEMENT

### Results – Asset Management

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **334** | **320** | **335** | 4 | 0 | **654** | **655** | 0 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| Compensation and benefits | 177 | 152 | 172 | 16 | 3 | 329 | 346 | (5) |
| General and administrative expenses | 75 | 84 | 88 | (11) | (15) | 159 | 172 | (8) |
| Commission expenses | 19 | 19 | 15 | 0 | 27 | 38 | 31 | 23 |
| Restructuring expenses | 2 | (2) | – | – | – | 0 | – | – |
| Total other operating expenses | 96 | 101 | 103 | (5) | (7) | 197 | 203 | (3) |
| **Total operating expenses** | **273** | **253** | **275** | 8 | (1) | **526** | **549** | (4) |
| **Income before taxes** | **61** | **67** | **60** | (9) | 2 | **128** | **106** | 21 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 81.7 | 79.1 | 82.1 | – | – | 80.4 | 83.8 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Management fees | 220 | 225 | 218 | (2) | 1 | 445 | 424 | 5 |
| Performance and placement revenues | 42 | 17 | 38 | 147 | 11 | 59 | 73 | (19) |
| Investment and partnership income | 72 | 78 | 79 | (8) | (9) | 150 | 158 | (5) |
| **Net revenues** | **334** | **320** | **335** | 4 | 0 | **654** | **655** | 0 |
| of which recurring commissions and fees | 204 | 201 | 198 | 1 | 3 | 405 | 389 | 4 |
| of which transaction- and performance-based revenues | 104 | 139 | 140 | (25) | (26) | 243 | 263 | (8) |
| of which other revenues | 26 | (20) | (3) | – | – | 6 | 3 | 100 |

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

### RESULTS

Income before taxes of CHF 61 million decreased 9% compared to 1Q16, driven by higher total operating expenses, partially offset by higher net revenues. Income before taxes was stable compared to 2Q15, reflecting stable net revenues and stable total operating expenses.

#### Net revenues

Compared to 1Q16, net revenues of CHF 334 million increased 4%, mainly driven by significantly higher performance and placement revenues, partially offset by lower investment and partnership income and slightly lower management fees. Performance and placement revenues of CHF 42 million increased CHF 25 million with higher investment-related gains, higher performance fees mainly from credit strategies and higher placement fees. Investment and partnership income decreased 8% to CHF 72 million as 1Q16 included a residual gain from a private equity interest, partially offset by an investment gain from Asset Management Finance LLC (AMF) in 2Q16.

Compared to 2Q15, net revenues were stable, reflecting higher performance and placement revenues, offset by lower investment and partnership income. Performance and placement revenues increased 11%, primarily reflecting better performance from credit strategies and higher investment-related gains, partially offset by lower placement fees. Investment and partnership income decreased 9%, reflecting lower performance from single manager hedge funds, partially offset by an investment gain from AMF in 2Q16. Management fees of CHF 220 million were stable.

#### Total operating expenses

Compared to 1Q16, total operating expenses of CHF 273 million increased 8%, reflecting higher compensation and benefits and higher restructuring expenses, partially offset by lower general and administrative expenses. Compensation and benefits of CHF 177 million increased 16%, reflecting higher discretionary compensation expenses and higher deferred compensation expenses from prior-year awards. General and administrative expenses of CHF 75 million decreased 11%, mainly reflecting lower allocated corporate function costs.

Compared to 2Q15, total operating expenses were stable, primarily reflecting lower general and administrative expenses, partially offset by slightly higher compensation and benefits and restructuring expenses of CHF 2 million in 2Q16. General and administrative expenses were CHF 13 million lower, reflecting lower allocated corporate function costs. Compensation and benefits were slightly higher, mainly reflecting higher discretionary compensation expenses.

## ASSETS UNDER MANAGEMENT

As of the end of 2Q16, assets under management of CHF 314.9 billion were CHF 13.6 billion higher compared to the end of 1Q16, reflecting favorable market movements, net new assets of CHF 3.5 billion and favorable foreign exchange-related movements. Net new assets reflected inflows from an emerging market joint venture and from a new product launch, partially offset by an outflow from a single mandate.

### Assets under management – Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Traditional investments | 159.5 | 155.8 | 170.4 | 2.4 | (6.4) | 159.5 | 170.4 | (6.4) |
| Alternative investments | 115.7 | 109.1 | 109.1 | 6.0 | 6.0 | 115.7 | 109.1 | 6.0 |
| Investments and partnerships | 39.7 | 36.4 | 33.6 | 9.1 | 18.2 | 39.7 | 33.6 | 18.2 |
| **Assets under management** | **314.9** | **301.3** | **313.1** | 4.5 | 0.6 | **314.9** | **313.1** | 0.6 |
| Average assets under management | 310.8 | 315.7 | 312.0 | (1.6) | (0.4) | 313.3 | 306.3 | 2.3 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 88.9 | 80.1 | 88.7 | 11.0 | 0.2 | 88.9 | 88.7 | 0.2 |
| EUR | 36.4 | 39.5 | 41.2 | (7.8) | (11.7) | 36.4 | 41.2 | (11.7) |
| CHF | 142.6 | 140.4 | 146.9 | 1.6 | (2.9) | 142.6 | 146.9 | (2.9) |
| Other | 47.0 | 41.3 | 36.3 | 13.8 | 29.5 | 47.0 | 36.3 | 29.5 |
| **Assets under management** | **314.9** | **301.3** | **313.1** | 4.5 | 0.6 | **314.9** | **313.1** | 0.6 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets [1] | 3.5 | 1.5 | 8.1 | – | – | 5.0 | 17.3 | – |
| Other effects | 10.1 | (21.5) | (4.9) | – | – | (11.4) | (9.4) | – |
| of which market movements | 6.8 | (5.6) | (0.7) | – | – | 1.2 | 4.3 | – |
| of which foreign exchange | 2.0 | (2.3) | (4.3) | – | – | (0.3) | (13.7) | – |
| of which other | 1.3 | (13.6) | 0.1 | – | – | (12.3) | 0.0 | – |
| **Growth in assets under management** | **13.6** | **(20.0)** | **3.2** | – | – | **(6.4)** | **7.9** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 4.6 | 1.9 | 10.4 | – | – | 3.0 | 11.3 | – |
| Other effects | 13.4 | (26.8) | (6.3) | – | – | (7.0) | (6.2) | – |
| **Growth in assets under management** | **18.0** | **(24.9)** | **4.1** | – | – | **(4.0)** | **5.1** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 4.5 | 6.1 | 4.1 | – | – | – | – | – |
| Other effects | (4.0) | (8.9) | 2.2 | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **0.5** | **(2.8)** | **6.3** | – | – | – | – | – |

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

# Asia Pacific

In 2Q16, we reported income before taxes of CHF 206 million and net revenues of CHF 911 million. Income before taxes decreased 22% compared to 1Q16 and 44% compared to 2Q15.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, we reported income before taxes of CHF 206 million and net revenues of CHF 911 million. Compared to 1Q16, net revenues were stable, as higher equity sales and trading revenues, higher underwriting and advisory revenues and higher net interest income in Private Banking were offset by lower fixed income sales and trading revenues. Provision for credit losses of CHF 3 million in 2Q16 compared to a net release of provision of CHF 22 million in 1Q16. Total operating expenses of CHF 702 million increased 6%, primarily reflecting increased compensation and benefits driven by growth-related higher headcount and higher general and administrative expenses.

Compared to 2Q15, net revenues decreased 12%, driven by lower equity sales and trading revenues reflecting the absence of the strong market conditions experienced in 2Q15. Revenues from the UHNWI and HNWI client business in Private Banking increased 10%, reflecting an increase in net interest income, partially offset by a decrease in transaction-based revenues. Total operating expenses increased 6%, primarily from increased compensation and benefits driven by growth-related higher headcount and higher general and administrative expenses, partially offset by lower commission expenses.

Higher volumes of client trading activity made a positive contribution in the days immediately following the UK referendum on EU membership on June 23, 2016.

Adjusted income before taxes of CHF 216 million decreased 18% compared to 1Q16 and 41% compared to 2Q15.

### Capital and leverage metrics

At the end of 2Q16, we reported risk-weighted assets of CHF 31.6 billion, an increase of CHF 4.0 billion compared to the end of 1Q16, primarily due to an increase in commercial lending. Leverage exposure was CHF 107.6 billion, reflecting an increase of CHF 3.7 billion compared to the end of 1Q16, driven by increased HQLA balances associated with funding requirements.

## Divisional results

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **911** | **907** | **1,040** | 0 | (12) | **1,818** | **2,128** | (15) |
| **Provision for credit losses** | **3** | **(22)** | **11** | – | (73) | **(19)** | **8** | – |
| Compensation and benefits | 419 | 404 | 380 | 4 | 10 | 823 | 763 | 8 |
| General and administrative expenses | 203 | 190 | 188 | 7 | 8 | 393 | 358 | 10 |
| Commission expenses | 70 | 70 | 94 | 0 | (26) | 140 | 167 | (16) |
| Restructuring expenses | 10 | 1 | – | – | – | 11 | – | – |
| Total other operating expenses | 283 | 261 | 282 | 8 | 0 | 544 | 525 | 4 |
| **Total operating expenses** | **702** | **665** | **662** | 6 | 6 | **1,367** | **1,288** | 6 |
| **Income before taxes** | **206** | **264** | **367** | (22) | (44) | **470** | **832** | (44) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 15.6 | 20.8 | 26.4 | – | – | 18.2 | 27.7 | – |
| Cost/income ratio | 77.1 | 73.3 | 63.7 | – | – | 75.2 | 60.5 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 4,073 | 3,796 | 3,321 | 7 | 23 | 3,943 | 3,287 | 20 |
| Pre-tax return on average economic risk capital (%) [1] | 20.3 | 27.9 | 44.2 | – | – | 23.9 | 50.6 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 7,020 | 6,730 | 6,170 | 4 | 14 | 7,020 | 6,170 | 14 |

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

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenues (CHF million)** | | | | | | | | |
| Private Banking | 337 | 319 | 307 | 6 | 10 | 656 | 604 | 9 |
| Investment Banking | 574 | 588 | 733 | (2) | (22) | 1,162 | 1,524 | (24) |
| **Net revenues** | **911** | **907** | **1,040** | 0 | (12) | **1,818** | **2,128** | (15) |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 4 | 0 | 13 | – | (69) | 4 | 14 | (71) |
| Releases of provisions | (1) | (22) | (2) | (95) | (50) | (23) | (6) | 283 |
| **Provision for credit losses** | **3** | **(22)** | **11** | – | (73) | **(19)** | **8** | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 92,194 | 90,218 | 92,799 | 2 | (1) | 92,194 | 92,799 | (1) |
| Net loans | 37,813 | 35,384 | 33,841 | 7 | 12 | 37,813 | 33,841 | 12 |
| Risk-weighted assets | 31,644 | 27,649 | 25,467 | 14 | 24 | 31,644 | 25,467 | 24 |
| Leverage exposure | 107,595 | 103,872 | 107,755 | 4 | 0 | 107,595 | 107,755 | 0 |

## Reconciliation of adjusted results

| | | Private Banking | | | Investment Banking | | **Asia Pacific** | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **2Q16** | 1Q16 | 2Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **337** | **319** | **307** | **574** | **588** | **733** | **911** | **907** | **1,040** |
| **Provision for credit losses** | **2** | **(17)** | **0** | **1** | **(5)** | **11** | **3** | **(22)** | **11** |
| **Total operating expenses** | **245** | **216** | **188** | **457** | **449** | **474** | **702** | **665** | **662** |
| Restructuring expenses | 0 | 0 | – | (10) | (1) | – | (10) | (1) | – |
| **Adjusted total operating expenses** | **245** | **216** | **188** | **447** | **448** | **474** | **692** | **664** | **662** |
| **Income before taxes** | **90** | **120** | **119** | **116** | **144** | **248** | **206** | **264** | **367** |
| Total adjustments | 0 | 0 | 0 | 10 | 1 | 0 | 10 | 1 | 0 |
| **Adjusted income before taxes** | **90** | **120** | **119** | **126** | **145** | **248** | **216** | **265** | **367** |

| | | | Private Banking | | Investment Banking | | **Asia Pacific** | |
|---|---|---|---|---|---|---|---|---|
| in | | | **6M16** | 6M15 | **6M16** | 6M15 | **6M16** | 6M15 |
| **Adjusted results (CHF million)** | | | | | | | | |
| **Net revenues** | | | **656** | **604** | **1,162** | **1,524** | **1,818** | **2,128** |
| **Provision for credit losses** | | | **(15)** | **(1)** | **(4)** | **9** | **(19)** | **8** |
| **Total operating expenses** | | | **461** | **378** | **906** | **910** | **1,367** | **1,288** |
| Restructuring expenses | | | 0 | – | (11) | – | (11) | – |
| **Adjusted total operating expenses** | | | **461** | **378** | **895** | **910** | **1,356** | **1,288** |
| **Income before taxes** | | | **210** | **227** | **260** | **605** | **470** | **832** |
| Total adjustments | | | 0 | 0 | 11 | 0 | 11 | 0 |
| **Adjusted income before taxes** | | | **210** | **227** | **271** | **605** | **481** | **832** |

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

## PRIVATE BANKING

### RESULTS

Income before taxes of CHF 90 million decreased 25% compared to 1Q16, primarily reflecting higher operating expenses and as a result of a net release of provision for credit losses in 1Q16, partially offset by higher net revenues. Compared to 2Q15 income before taxes decreased 24%, primarily from higher operating expenses, partially offset by higher net revenues.

#### Net revenues

Net revenues of CHF 337 million increased 6% compared to 1Q16, mainly due to higher other revenues and higher net interest income, partially offset by lower transaction-based revenues and lower recurring commissions and fees. Other revenues in 1Q16 primarily reflected the reversal of gains on credit hedges in 1Q16 that were offset by a corresponding release of provision for credit losses. Net interest income increased 7% to CHF 143 million reflecting higher loan and deposit margins on higher average volumes. Transaction-based revenues decreased 3% to CHF 124 million due to the receipt of a dividend from an equity participation in 1Q16, partially offset by higher brokerage and product issuing fees and corporate advisory fees arising from integrated solutions. Recurring commissions and fees decreased 4% to CHF 70 million, primarily reflecting lower banking services fees and fees from discretionary mandates.

Compared to 2Q15, net revenues increased 10%, mainly reflecting an increase in net interest income, partially offset by a decrease in transaction-based revenues. Net interest income increased 38% reflecting higher loan and deposit margins on higher average volumes. Recurring commissions and fees increased 11%, primarily reflecting higher wealth structuring solution and investment product management fees. Transaction-based revenues decreased 11%, primarily reflecting lower brokerage and product issuing fees, partially offset by higher corporate advisory fees arising from integrated solutions.

### Results – Private Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **337** | **319** | **307** | 6 | 10 | **656** | **604** | 9 |
| **Provision for credit losses** | **2** | **(17)** | **0** | – | – | **(15)** | **(1)** | – |
| Compensation and benefits | 158 | 148 | 126 | 7 | 25 | 306 | 251 | 22 |
| General and administrative expenses | 77 | 57 | 50 | 35 | 54 | 134 | 102 | 31 |
| Commission expenses | 10 | 11 | 12 | (9) | (17) | 21 | 25 | (16) |
| Total other operating expenses | 87 | 68 | 62 | 28 | 40 | 155 | 127 | 22 |
| **Total operating expenses** | **245** | **216** | **188** | 13 | 30 | **461** | **378** | 22 |
| **Income before taxes** | **90** | **120** | **119** | (25) | (24) | **210** | **227** | (7) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 72.7 | 67.7 | 61.2 | – | – | 70.3 | 62.6 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 143 | 134 | 104 | 7 | 38 | 277 | 200 | 39 |
| Recurring commissions and fees | 70 | 73 | 63 | (4) | 11 | 143 | 135 | 6 |
| Transaction-based revenues | 124 | 128 | 140 | (3) | (11) | 252 | 269 | (6) |
| Other revenues | 0 | (16) | 0 | 100 | – | (16) | 0 | – |
| **Net revenues** | **337** | **319** | **307** | 6 | 10 | **656** | **604** | 9 |
| **Margins on assets under management (annualized) (bp)** | | | | | | | | |
| Gross margin [1] | 87 | 86 | 78 | – | – | 86 | 77 | – |
| Net margin [2] | 23 | 32 | 30 | – | – | 28 | 29 | – |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers | 650 | 620 | 550 | 5 | 18 | 650 | 550 | 18 |

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

#### Provision for credit losses

The Private Banking loan portfolio primarily comprises lombard loans, mainly backed by listed securities.

In 2Q16, Private Banking recorded a provision for credit losses of CHF 2 million, compared to a net release of provision for credit losses of CHF 17 million in 1Q16, which was offset by the reversal of gains from related credit hedges recorded in other revenues. Private Banking recorded no provision for credit losses in 2Q15.

#### Total operating expenses

Total operating expenses of CHF 245 million increased 13% compared to 1Q16, mainly reflecting higher general and administrative

expenses and higher compensation and benefits. General and administrative expenses increased 35%, to CHF 77 million, mainly due to the higher allocated corporate function costs related to investments in infrastructure for risk, control and compliance functions to support business growth and meet increasing regulatory requirements. Compensation and benefits increased 7% to CHF 158 million, primarily driven by higher salary expenses reflecting growth-related higher headcount.

Compared to 2Q15, total operating expenses increased 30%, mainly reflecting higher compensation and benefits and higher general and administrative expenses. Compensation and benefits increased 25% primarily driven by higher salary expenses reflecting growth-related higher headcount. General and administrative expenses increased 54%, mainly due to higher allocated corporate function costs related to investments in infrastructure for risk, control and compliance functions, and higher occupancy and marketing expenses.

## MARGINS

### Gross margin

Our gross margin was 87 basis points in 2Q16, one basis point higher compared to 1Q16, mainly reflecting higher other revenues and higher net interest income, partially offset by a 4.7% increase in average assets under management. Compared to 2Q15, our gross margin was nine basis points higher, mainly reflecting higher net interest income, partially offset by lower transaction-based revenues.

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

### Net margin

Our net margin was 23 basis points in 2Q16, nine basis points lower compared to 1Q16, mainly reflecting higher operating expenses. Compared to 2Q15, our net margin was seven basis points lower, mainly reflecting higher operating expenses and lower transaction-based revenues, partially offset by higher net interest income.

## ASSETS UNDER MANAGEMENT

As of the end of 2Q16, assets under management of CHF 158.3 billion were CHF 8.7 billion higher compared to the end of 1Q16, mainly reflecting net new assets of CHF 5.0 billion and favorable foreign exchange-related and market movements. Net new assets reflected inflows primarily from South East Asia, Australia and Greater China.

### Assets under management – Private Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 158.3 | 149.6 | 155.9 | 5.8 | 1.5 | 158.3 | 155.9 | 1.5 |
| Average assets under management | 155.1 | 148.2 | 157.4 | 4.7 | (1.5) | 151.6 | 152.2 | (0.4) |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 73.7 | 67.4 | 59.6 | 9.3 | 23.7 | 73.7 | 59.6 | 23.7 |
| EUR | 4.7 | 4.7 | 5.3 | 0.0 | (11.3) | 4.7 | 5.3 | (11.3) |
| CHF | 1.9 | 1.9 | 2.1 | 0.0 | (9.5) | 1.9 | 2.1 | (9.5) |
| Other | 78.0 | 75.6 | 88.9 | 3.2 | (12.3) | 78.0 | 88.9 | (12.3) |
| **Assets under management** | **158.3** | **149.6** | **155.9** | 5.8 | 1.5 | **158.3** | **155.9** | 1.5 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 5.0 | 4.3 | 6.6 | – | – | 9.3 | 11.1 | – |
| Other effects | 3.7 | (5.1) | (5.3) | – | – | (1.4) | (5.7) | – |
| of which market movements | 1.2 | (2.9) | 0.4 | – | – | (1.7) | 4.8 | – |
| of which foreign exchange | 2.4 | (2.3) | (5.2) | – | – | 0.1 | (9.9) | – |
| of which other | 0.1 | 0.1 | (0.5) | – | – | 0.2 | (0.6) | – |
| **Growth in assets under management** | **8.7** | **(0.8)** | **1.3** | – | – | **7.9** | **5.4** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 13.4 | 11.4 | 17.1 | – | – | 12.4 | 14.8 | – |
| Other effects | 9.9 | (13.5) | (13.7) | – | – | (1.8) | (7.6) | – |
| **Growth in assets under management (annualized)** | **23.3** | **(2.1)** | **3.4** | – | – | **10.6** | **7.2** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 10.3 | 11.4 | 13.9 | – | – | – | – | – |
| Other effects | (8.8) | (14.6) | 1.7 | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **1.5** | **(3.2)** | **15.6** | – | – | – | – | – |

## INVESTMENT BANKING

### RESULTS

Income before taxes of CHF 116 million decreased 19% compared to 1Q16, mainly due to slightly lower net revenues and higher restructuring expenses. Compared to 2Q15, income before taxes decreased 53%, mainly due to lower net revenues. Adjusted income before taxes of CHF 126 million decreased 13% compared to 1Q16 and 49% compared to 2Q15.

#### Net revenues

Net revenues of CHF 574 million were slightly lower compared to 1Q16, mainly reflecting lower fixed income sales and trading revenues, largely offset by higher equity sales and trading and underwriting and advisory revenues. Fixed income sales and trading revenues decreased 33% to CHF 167 million, mainly due to lower revenues from rates products. Equity sales and trading revenues increased 15% to CHF 340 million, reflecting higher revenues from prime services, systematic market making and equity derivatives due to improved market conditions, client activity and higher revenues from structured financing solutions, partially offset by lower revenues from cash equities reflecting subdued trading volumes. Equity derivatives results in 2Q16 included the positive impact of CHF 65 million resulting from a recalibration of the valuation model for certain hybrid instruments to reflect increased observability of pricing data and a more standardized approach across products. Underwriting and advisory revenues increased 39% to CHF 100 million, primarily reflecting higher advisory fees from M&A transactions and higher debt and equity underwriting revenues.

Compared to 2Q15, net revenues decreased 22%, mainly due to significantly lower equity sales and trading revenues, partially offset by higher fixed income sales and trading revenues. Equity sales and trading revenues decreased 39%, reflecting the absence of the strong market conditions experienced in 2Q15, primarily in derivatives and systematic market making. Equity derivatives results in 2Q16 included the impact of the recalibration of the valuation model for certain hybrid instruments. Cash equities revenues were lower due to subdued trading volumes. Fixed income sales and trading revenues increased 36%, primarily driven by rates and foreign exchange products. Underwriting and advisory revenues increased 22% due to higher advisory fees from M&A transactions and debt underwriting, partially offset by lower equity underwriting fees reflecting fewer initial public offerings (IPO) and related follow-on activities.

### Results – Investment Banking

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **574** | **588** | **733** | (2) | (22) | **1,162** | **1,524** | (24) |
| **Provision for credit losses** | **1** | **(5)** | **11** | – | (91) | **(4)** | **9** | – |
| Compensation and benefits | 261 | 256 | 254 | 2 | 3 | 517 | 512 | 1 |
| General and administrative expenses | 126 | 133 | 138 | (5) | (9) | 259 | 256 | 1 |
| Commission expenses | 60 | 59 | 82 | 2 | (27) | 119 | 142 | (16) |
| Restructuring expenses | 10 | 1 | – | – | – | 11 | – | – |
| Total other operating expenses | 196 | 193 | 220 | 2 | (11) | 389 | 398 | (2) |
| **Total operating expenses** | **457** | **449** | **474** | 2 | (4) | **906** | **910** | 0 |
| **Income before taxes** | **116** | **144** | **248** | (19) | (53) | **260** | **605** | (57) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 79.6 | 76.4 | 64.7 | – | – | 78.0 | 59.7 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Fixed income sales and trading | 167 | 250 | 123 | (33) | 36 | 417 | 371 | 12 |
| Equity sales and trading | 340 | 295 | 553 | 15 | (39) | 635 | 1,041 | (39) |
| Underwriting and advisory | 100 | 72 | 82 | 39 | 22 | 172 | 154 | 12 |
| Other revenues | (33) | (29) | (25) | 14 | 32 | (62) | (42) | 48 |
| **Net revenues** | **574** | **588** | **733** | **(2)** | **(22)** | **1,162** | **1,524** | **(24)** |

**Provision for credit losses**
In 2Q16, Investment Banking recorded a provision for credit losses of CHF 1 million, compared to a net release of provision of CHF 5 million in 1Q16 and a provision for credit losses of CHF 11 million in 2Q15.

**Total operating expenses**
Total operating expenses of CHF 457 million increased slightly compared to 1Q16, mainly due to higher restructuring expenses and slightly higher compensation and benefits, partially offset by lower general and administrative expenses. The slight increase in compensation and benefits to CHF 261 million reflected higher salaries, partially offset by lower discretionary compensation and lower deferred compensation expenses from prior-year awards. General and administrative expenses decreased 5% to CHF 126 million, mainly reflecting lower allocated corporate function costs, partially offset by higher marketing expenses. Adjusted total operating expenses were stable compared to 1Q16.

Compared to 2Q15, total operating expenses decreased 4% mainly due to lower commission expenses and lower general and administrative expenses, partially offset by higher compensation and benefits and higher restructuring expenses. Commission expenses decreased 27% to CHF 60 million reflecting lower client trading volumes in equities. General and administrative expenses decreased 9%, mainly reflecting lower allocated corporate function costs, partially offset by higher marketing expenses. Compensation and benefits increased slightly, primarily driven by higher salary expenses, partially offset by lower discretionary compensation. Adjusted total operating expenses decreased 6% compared to 2Q15.

# Global Markets

In 2Q16, Global Markets reported income before taxes of CHF 154 million and net revenues of CHF 1,630 million. Net revenues increased 31% compared to 1Q16, primarily due to higher revenues from our credit businesses.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, Global Markets made significant progress on its accelerated restructuring towards achieving a more cost and capital efficient business with a reduced risk profile. The restructured business model operates under three business lines generating revenues from trading and underwriting: equities, credit and solutions. Equities includes cash equities, prime services, systematic market making and equity underwriting. Credit is comprised of our yield businesses, including global credit products, leveraged finance and investment grade underwriting and securitized products. Solutions combines our structured lending and derivatives capabilities across equity derivatives, global macro products and emerging markets.

In 2Q16, we reported income before taxes of CHF 154 million and net revenues of CHF 1,630 million. Compared to 1Q16, net revenues increased 31%, mainly due to higher revenues from our credit businesses. Compared to 2Q15, net revenues declined 15%. Revenues from our equities businesses declined 10%, credit decreased 20% and solutions decreased 6%.

Higher volumes of client trading activity made a positive contribution in the days immediately following the UK referendum on EU membership on June 23, 2016.

Total operating expenses of CHF 1,493 million increased 5% compared to 1Q16, reflecting increased compensation and benefits, partially offset by lower restructuring costs of CHF 50 million in 2Q16. Compared to 2Q15, total operating expenses declined 3%, reflecting improved operating efficiency, and due to lower compensation and benefits and litigation expenses. We reported an adjusted income before taxes of CHF 204 million in 2Q16, compared to an adjusted loss before taxes of CHF 98 million in 1Q16 and an adjusted income before taxes of CHF 445 million in 2Q15.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **1,630** | **1,245** | **1,926** | 31 | (15) | **2,875** | **4,077** | (29) |
| **Provision for credit losses** | **(17)** | **23** | **(4)** | – | 325 | **6** | **0** | – |
| Compensation and benefits | 778 | 671 | 821 | 16 | (5) | 1,449 | 1,645 | (12) |
| General and administrative expenses | 543 | 517 | 576 | 5 | (6) | 1,060 | 1,030 | 3 |
| Commission expenses | 122 | 132 | 142 | (8) | (14) | 254 | 284 | (11) |
| Restructuring expenses | 50 | 100 | – | (50) | – | 150 | – | – |
| Total other operating expenses | 715 | 749 | 718 | (5) | 0 | 1,464 | 1,314 | 11 |
| **Total operating expenses** | **1,493** | **1,420** | **1,539** | 5 | (3) | **2,913** | **2,959** | (2) |
| **Income/(loss) before taxes** | **154** | **(198)** | **391** | – | (61) | **(44)** | **1,118** | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 4.3 | – | 9.2 | – | – | – | 12.9 | – |
| Cost/income ratio | 91.6 | 114.1 | 79.9 | – | – | 101.3 | 72.6 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 9,924 | 10,862 | 12,330 | (9) | (20) | 10,527 | 12,411 | (15) |
| Pre-tax return on average economic risk capital (%) [1] | 6.6 | (6.9) | 13.4 | – | – | (0.4) | 18.7 | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Total assets | 239,419 | 237,716 | 287,616 | 1 | (17) | 239,419 | 287,616 | (17) |
| Risk-weighted assets | 50,750 | 56,698 | 60,727 | (10) | (16) | 50,750 | 60,727 | (16) |
| Risk-weighted assets (USD) | 52,094 | 59,205 | 64,980 | (12) | (20) | 52,094 | 64,980 | (20) |
| Leverage exposure | 279,099 | 280,029 | 332,361 | 0 | (16) | 279,099 | 332,361 | (16) |
| Leverage exposure (USD) | 286,490 | 292,413 | 355,637 | (2) | (19) | 286,490 | 355,637 | (19) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 11,620 | 11,780 | 11,470 | (1) | 1 | 11,620 | 11,470 | 1 |

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

### Capital and leverage metrics

We significantly reduced capital usage compared to both 1Q16 and 2Q15, and are operating within our end-2016 risk-weighted assets and leverage exposure targets. As of the end of 2Q16, we reported risk-weighted assets of USD 52.1 billion, below our end-2016 target of USD 60 billion. Risk-weighted assets decreased USD 7.1 billion compared to 1Q16, primarily reflecting movements in risk levels. Leverage exposure was USD 286.5 billion, reflecting a decrease of USD 5.9 billion compared to the end of 1Q16, primarily reflecting business reductions. This compares to our end-2016 target of USD 290 billion.

## Divisional results (continued)

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Equities | 536 | 534 | 595 | 0 | (10) | 1,070 | 1,247 | (14) |
| Credit | 742 | 390 | 924 | 90 | (20) | 1,132 | 1,928 | (41) |
| Solutions | 409 | 345 | 437 | 19 | (6) | 754 | 968 | (22) |
| Other | (57) | (24) | (30) | 138 | 90 | (81) | (66) | 23 |
| **Net revenues** | **1,630** | **1,245** | **1,926** | 31 | (15) | **2,875** | **4,077** | (29) |

## Reconciliation of adjusted results

| | | | | | Global Markets |
|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **6M16** | 6M15 |
| **Adjusted results (CHF million)** | | | | | |
| **Net revenues** | **1,630** | **1,245** | **1,926** | **2,875** | **4,077** |
| **Provision for credit losses** | **(17)** | **23** | **(4)** | **6** | **0** |
| **Total operating expenses** | **1,493** | **1,420** | **1,539** | **2,913** | **2,959** |
| Restructuring expenses | (50) | (100) | – | (150) | – |
| Major litigation provisions | 0 | 0 | (54) | 0 | (54) |
| **Adjusted total operating expenses** | **1,443** | **1,320** | **1,485** | **2,763** | **2,905** |
| **Income/(loss) before taxes** | **154** | **(198)** | **391** | **(44)** | **1,118** |
| Total adjustments | 50 | 100 | 54 | 150 | 54 |
| **Adjusted income/(loss) before taxes** | **204** | **(98)** | **445** | **106** | **1,172** |

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

## RESULTS

### Equities

In 2Q16, equities revenues of CHF 536 million were stable compared to 1Q16, reflecting increased volatility surrounding the UK referendum. Systematic market making revenues increased, reflecting improved trading conditions. Prime services results improved, reflecting higher client financing activity and a seasonal increase in revenues as a result of the European dividend season. Equity underwriting revenues increased, reflecting an improvement in industry-wide issuance activity. In addition, cash equities trading revenues declined slightly, reflecting reduced trading volumes in Europe, Middle East and Africa (EMEA).

Compared to 2Q15, revenues declined 10%, reflecting lower capital usage, investor outflows from equity funds and increased volatility surrounding the United Kingdom referendum on withdrawal from the European Union, which negatively impacted underwriting activity. Prime services revenues declined due to reduced client activity and risk appetite and as a result of our reduced leverage exposure. Equity underwriting revenues declined in line with muted industry-wide activity across IPOs and follow-on offerings. Cash equities trading revenues declined, reflecting the negative impact of lower primary issuance activity. We had stable revenues in systematic market making, reflecting more favorable trading conditions and higher volatility surrounding the UK referendum.

### Credit

In 2Q16, credit revenues of CHF 742 million increased 90% compared to 1Q16, reflecting a significant rebound in credit asset prices and lower volatility, which supported increased client activity. Securitized products trading revenues increased substantially, primarily reflecting strong client activity, notably in non-agency residential mortgage-backed securities (RMBS) trading. Underwriting revenues increased as well, reflecting higher industry-wide leveraged finance and investment grade issuance activity. In addition, global credit products trading revenues increased significantly, reflecting improved leveraged finance trading revenues in a strong primary issuance environment.

Compared to 2Q15, revenues decreased 20%, primarily due to significantly lower results in our securitized products business. This decrease was partially offset by strong results in global credit products. Securitized products trading revenues declined across all products primarily as we decreased risk in the portfolio by reducing inventory positions and due to lower capital usage compared to 2Q15. Higher global credit products trading revenues reflected increased leveraged finance and investment grade trading activity. Underwriting revenues were stable as improved industry-wide investment grade issuance activity was offset by lower leveraged finance issuance activity.

**Solutions**

In 2Q16, solutions revenues of CHF 409 million increased 19% compared to 1Q16, reflecting less volatile commodity prices and improved market conditions. Emerging markets revenues increased compared to a muted 1Q16 performance, reflecting higher trading and financing performance, most notably in Brazil. Equity derivatives revenues increased, reflecting higher corporate derivatives and convertibles results. These increases were partially offset by lower global macro products revenues, driven by reduced client activity in our rates business.

Compared to 2Q15, revenues decreased 6%, reflecting increased volatility and macroeconomic uncertainty surrounding the UK referendum, which resulted in lower client activity. We had lower revenues in global macro products due to reduced client activity in our rates business. The decline in global macro products was partially offset by higher foreign exchange revenues due to higher volatility. Emerging markets revenues were stable as improved trading performance in Brazil, compared to subdued 2Q15 results, offset lower structured products performance. Equity derivatives revenues were stable, as higher revenues in corporate derivatives offset subdued client activity in structured derivatives.

**Provision for credit losses**

Global markets recorded a release of provision for credit losses of CHF 17 million in 2Q16. This compares to a provision for credit losses of CHF 23 million in 1Q16 and a release of provision for credit losses of CHF 4 million in 2Q15, reflecting a stabilizing energy sector.

**Total operating expenses**

In 2Q16, total operating expenses of CHF 1,493 million increased 5%, compared to 1Q16, primarily reflecting higher compensation and benefits and the changes to the methodology for the allocation of corporate function costs, partially offset by lower costs related to our risk, regulatory and compliance infrastructure and lower restructuring expenses. The increase in compensation and benefits was primarily driven by increased discretionary compensation expenses. General and administrative expenses increased, primarily reflecting higher indirect taxes. Adjusted total operating expenses increased 9%.

Compared to 2Q15, total operating expenses declined 3%, primarily due to lower compensation and benefits and lower litigation provisions, partially offset by higher restructuring expenses. The decrease in compensation and benefits was due to lower deferred compensation expenses from prior-year awards, reflecting a lower deferral rate. General and administrative expenses declined, reflecting lower litigation provisions. Adjusted total operating expenses decreased 3%.

# Investment Banking & Capital Markets

In 2Q16, Investment Banking & Capital Markets reported income before taxes of CHF 135 million and net revenues of CHF 543 million. Net revenues increased 40% compared to 1Q16 and declined 4% compared to 2Q15.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, we reported income before taxes of CHF 135 million, a significant increase compared to a loss in 1Q16, primarily due to higher net revenues, lower restructuring expenses and no provision for credit losses. Net revenues of CHF 543 million increased 40% compared to 1Q16, primarily due to higher underwriting revenues and better performance from our corporate lending portfolio. Revenues from advisory and other fees of CHF 178 million decreased 21%, reflecting a strong performance in 1Q16. This decrease was offset by higher debt and equity underwriting revenues. Debt underwriting revenues of CHF 303 million increased 68% compared to 1Q16 and equity underwriting revenues of CHF 95 million increased 116%. Total operating expenses of CHF 408 million decreased 3% compared to 1Q16, primarily reflecting lower restructuring expenses.

Compared to 2Q15, income before taxes decreased 7% and net revenues declined 4%. Although revenues from advisory and other fees decreased 3% compared to 2Q15, our share of wallet increased in 2Q16. Debt underwriting revenues increased 18% and equity underwriting revenues declined 26% compared to 2Q15. Total operating expenses decreased 4% compared to 2Q15, primarily reflecting a decrease in compensation and benefits.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **543** | **388** | **568** | 40 | (4) | **931** | **967** | (4) |
| **Provision for credit losses** | **0** | **29** | **0** | (100) | – | **29** | **0** | – |
| Compensation and benefits | 308 | 287 | 329 | 7 | (6) | 595 | 670 | (11) |
| General and administrative expenses | 108 | 106 | 93 | 2 | 16 | 214 | 198 | 8 |
| Commission expenses | 0 | 1 | 1 | (100) | (100) | 1 | 1 | 0 |
| Restructuring expenses | (8) | 27 | – | – | – | 19 | – | – |
| Total other operating expenses | 100 | 134 | 94 | (25) | 6 | 234 | 199 | 18 |
| **Total operating expenses** | **408** | **421** | **423** | (3) | (4) | **829** | **869** | (5) |
| **Income/(loss) before taxes** | **135** | **(62)** | **145** | – | (7) | **73** | **98** | (26) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital | 22.6 | – | 31.8 | – | – | 6.6 | 11.0 | – |
| Cost/income ratio | 75.1 | 108.5 | 74.5 | – | – | 89.0 | 89.9 | – |
| **Economic risk capital and return** | | | | | | | | |
| Average economic risk capital (CHF million) | 4,567 | 4,311 | 3,389 | 6 | 35 | 4,400 | 3,507 | 25 |
| Pre-tax return on average economic risk capital (%) [1] | 11.8 | (5.8) | 17.1 | – | – | 3.3 | 5.6 | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Total assets | 22,064 | 20,772 | 12,792 | 6 | 72 | 22,064 | 12,792 | 72 |
| Risk-weighted assets | 16,513 | 16,990 | 13,568 | (3) | 22 | 16,513 | 13,568 | 22 |
| Risk-weighted assets (USD) | 16,950 | 17,741 | 14,518 | (4) | 17 | 16,950 | 14,518 | 17 |
| Leverage exposure | 43,756 | 44,369 | 34,247 | (1) | 28 | 43,756 | 34,247 | 28 |
| Leverage exposure (USD) | 44,915 | 46,331 | 36,645 | (3) | 23 | 44,915 | 36,645 | 23 |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 2,800 | 2,880 | 2,550 | (3) | 10 | 2,800 | 2,550 | 10 |

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

## Divisional results (continued)

| | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Advisory and other fees | 178 | 226 | 184 | (21) | (3) | 404 | 299 | 35 |
| Debt underwriting | 303 | 180 | 256 | 68 | 18 | 483 | 470 | 3 |
| Equity underwriting | 95 | 44 | 128 | 116 | (26) | 139 | 222 | (37) |
| Other | (33) | (62) | 0 | (47) | – | (95) | (24) | 296 |
| **Net revenues** | **543** | **388** | **568** | 40 | (4) | **931** | **967** | (4) |

## Reconciliation of adjusted results

| | | | | Investment Banking & Capital Markets | |
|---|---|---|---|---|---|
| in | **2Q16** | 1Q16 | 2Q15 | **6M16** | 6M15 |
| **Adjusted results (CHF million)** | | | | | |
| **Net revenues** | **543** | **388** | **568** | **931** | **967** |
| **Provision for credit losses** | **0** | **29** | **0** | **29** | **0** |
| **Total operating expenses** | **408** | **421** | **423** | **829** | **869** |
| Restructuring expenses | 8 | (27) | – | (19) | – |
| **Adjusted total operating expenses** | **416** | **394** | **423** | **810** | **869** |
| **Income/(loss) before taxes** | **135** | **(62)** | **145** | **73** | **98** |
| Total adjustments | (8) | 27 | 0 | 19 | 0 |
| **Adjusted income/(loss) before taxes** | **127** | **(35)** | **145** | **92** | **98** |

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

### Capital and leverage metrics

As of the end of 2Q16, risk-weighted assets were USD 17.0 billion, a decrease of USD 0.8 billion compared to the end of 1Q16, mainly driven by a reduction in underwriting volumes. Leverage exposure was USD 44.9 billion, reflecting a decrease of USD 1.4 billion compared to the end of 1Q16, as reduced commitment volumes offset increased HQLA balances associated with funding requirements.

## RESULTS

### Advisory and other fees

In 2Q16, revenues from advisory and other fees of CHF 178 million decreased 21% compared to 1Q16, which was marked by a strong performance.

Revenues decreased 3% compared to 2Q15. The decrease was lower than the industry-wide decline in the overall fee pool, resulting in an increase in our share of wallet in M&A. Share of wallet refers to our share of the overall fee pool for the respective products.

### Debt underwriting

In 2Q16, debt underwriting revenues of CHF 303 million increased 68% compared to 1Q16, driven by higher leveraged finance revenues and strong investment grade revenues from acquisition-related issuances.

Compared to 2Q15, revenues increased 18%, driven by higher derivatives financing, leveraged finance and investment grade revenues.

### Equity underwriting

In 2Q16, revenues from equity underwriting of CHF 95 million increased 116% compared to 1Q16, driven by higher revenues from follow-on offerings and equity derivatives.

Compared to 2Q15, revenues decreased 26%, primarily due to lower industry-wide equity issuance activity.

### Provision for credit losses

There was no provision for credit losses in 2Q16. In 1Q16, we recognized a CHF 29 million provision for credit losses, primarily relating to the energy sector.

### Total operating expenses

Total operating expenses of CHF 408 million decreased 3% compared to 1Q16, primarily reflecting lower restructuring expenses. Compensation and benefits increased 7%, driven by higher salary and discretionary compensation expenses. General and administrative expenses of CHF 108 million increased 2%.

Compared to 2Q15, total operating expenses decreased 4%, driven by a 6% decrease in compensation and benefits, reflecting a decline in deferred compensation expense from prior year awards as a result of lower deferral rates. This was partially offset by a 16% increase in general and administrative expenses, which was primarily driven by the changes to the methodology for the allocation of corporate function costs.

# Strategic Resolution Unit

In 2Q16, the Strategic Resolution Unit reported a loss before taxes of CHF 759 million and decreased its risk-weighted assets in US dollars by 13% and its leverage exposure in US dollars by 12%.

## RESULTS SUMMARY

### 2Q16 results

In 2Q16, we reported a loss before taxes of CHF 759 million compared to a loss before taxes of CHF 1,253 million in 1Q16 and a loss before taxes of CHF 250 million in 2Q15.

The Strategic Resolution Unit reported negative net revenues of CHF 363 million in 2Q16, which included valuation adjustments in the legacy investment banking portfolio and legacy funding costs, partially offset by revenues from the legacy cross-border business and small markets. In 2Q16, there was a release of provision for credit losses of CHF 37 million. Total operating expenses were CHF 433 million in 2Q16, including CHF 230 million of general and administrative expenses and CHF 162 million of compensation and benefits.

### Capital and leverage metrics

In 2Q16, reduced risk-weighted assets and leverage exposure reflected various initiatives, including the execution of a purchase and sale agreement on the entire credit derivative swap portfolio and the sale or restructure of the majority of cash credit assets during the quarter. As of the end of 2Q16, we reported risk-weighted assets of USD 58.0 billion, a decrease of USD 9.0 billion and USD 19.0 billion compared to the end of 1Q16 and 2Q15, respectively. Leverage exposure was USD 147.6 billion as of the end of 2Q16, reflecting a decrease of USD 19.3 billion and USD 55.4 billion compared to the end of 1Q16 and 2Q15, respectively.

## Divisional results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(363)** | **(541)** | **410** | (33) | – | **(904)** | **725** | – |
| of which from noncontrolling interests without significant economic interest | (1) | 17 | 14 | – | – | 16 | (11) | – |
| **Provision for credit losses** | **(37)** | **115** | **12** | – | – | **78** | **16** | 388 |
| Compensation and benefits | 162 | 210 | 308 | (23) | (47) | 372 | 604 | (38) |
| General and administrative expenses | 230 | 292 | 303 | (21) | (24) | 522 | 580 | (10) |
| of which litigation expenses | 47 | 23 | 28 | 104 | 68 | 70 | 62 | 13 |
| Commission expenses | 21 | 16 | 37 | 31 | (43) | 37 | 79 | (53) |
| Restructuring expenses | 20 | 79 | – | (75) | – | 99 | – | – |
| Total other operating expenses | 271 | 387 | 340 | (30) | (20) | 658 | 659 | 0 |
| **Total operating expenses** | **433** | **597** | **648** | (27) | (33) | **1,030** | **1,263** | (18) |
| of which from noncontrolling interests without significant economic interest | (4) | 18 | 4 | – | – | 14 | 6 | 133 |
| **Loss before taxes** | **(759)** | **(1,253)** | **(250)** | (39) | 204 | **(2,012)** | **(554)** | 263 |
| of which from noncontrolling interests without significant economic interest | 3 | (1) | 10 | – | (70) | 2 | (17) | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 98,058 | 105,286 | 108,025 | (7) | (9) | 98,058 | 108,025 | (9) |
| Risk-weighted assets | 56,481 | 64,125 | 71,927 | (12) | (21) | 56,481 | 71,927 | (21) |
| Risk-weighted assets (USD) | 57,977 | 66,961 | 76,964 | (13) | (25) | 57,977 | 76,964 | (25) |
| Leverage exposure | 143,805 | 159,888 | 189,687 | (10) | (24) | 143,805 | 189,687 | (24) |
| Leverage exposure (USD) | 147,613 | 166,959 | 202,971 | (12) | (27) | 147,613 | 202,971 | (27) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 2,050 | 2,290 | 3,800 | (10) | (46) | 2,050 | 3,800 | (46) |

## Divisional results (continued)

| | | | in | % change | | | in | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Restructuring of select onshore businesses | 10 | 119 | 200 | (92) | (95) | 129 | 388 | (67) |
| Legacy cross-border business and small markets | 49 | 58 | 75 | (16) | (35) | 107 | 152 | (30) |
| Restructuring of former Asset Management division | (21) | (37) | 16 | (43) | – | (58) | (27) | 115 |
| Legacy investment banking portfolio | (317) | (611) | 141 | (48) | – | (928) | 298 | – |
| Legacy funding costs | (89) | (82) | (60) | 9 | 48 | (171) | (122) | 40 |
| Other | 6 | (5) | 24 | – | (75) | 1 | 47 | (98) |
| Noncontrolling interests without significant economic interest | (1) | 17 | 14 | – | – | 16 | (11) | – |
| **Net revenues** | **(363)** | **(541)** | **410** | (33) | – | **(904)** | **725** | – |

## RESULTS

### Net revenues

The Strategic Resolution Unit reported negative net revenues of CHF 363 million in 2Q16 compared to negative net revenues of CHF 541 million in 1Q16 and net revenues of CHF 410 million in 2Q15. Compared to 1Q16, the movement was primarily driven by valuation adjustments in the legacy investment banking portfolio, partially offset by lower revenues from the restructuring of select onshore businesses, in particular the transfer of our US private banking business, which was announced in October 2015. Compared to 2Q15, the movement was primarily driven by lower net revenues relating to the legacy investment banking portfolio and lower revenues relating to the restructuring of select onshore businesses.

### Provision for credit losses

In 2Q16, there was a release of the provision for credit losses of CHF 37 million compared to a provision for credit losses of CHF 115 million in 1Q16 and CHF 12 million in 2Q15. The improvement as compared to 1Q16 and 2Q15 was primarily related to the release of provisions for legacy corporate loans.

### Total operating expenses

Total operating expenses of CHF 433 million decreased CHF 164 million compared to 1Q16, reflecting lower restructuring expenses and lower general and administrative expenses, in spite of higher litigation expenses. Compared to 2Q15, total operating expenses decreased CHF 215 million, primarily driven by lower compensation and benefits due to the transfer of our US private banking business. Total operating expenses in 2Q16 included costs of CHF 59 million to meet requirements related to the settlements with US authorities regarding US cross-border matters.

# Corporate Center

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

## RESULTS SUMMARY

In 2Q16, Corporate Center recorded losses before taxes of CHF 235 million compared to a gain before taxes of CHF 33 million in 1Q16 and CHF 263 million in 2Q15. We early adopted certain sections of ASU 2016-01 which require that changes in fair value relating to the instrument-specific credit risk of fair value option-elected financial liabilities be presented separately in accumulated other comprehensive income. Therefore, fair value gains or losses from movements in own credit spreads are no longer recorded in the Corporate Center beginning in 1Q16. Other revenues primarily reflected required elimination adjustments associated with trading in own shares. Compensation and benefits mainly reflect fair value adjustments on certain deferred compensation plans not allocated to the segments. General and administrative expenses primarily reflected costs associated with the evolution of our legal entity structure to meet developing and future regulatory requirements.

## Corporate Center results

| | | | in / end of | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 2Q15 | QoQ | YoY | **6M16** | 6M15 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Treasury results | (136) | (17) | 97 | – | – | (153) | 110 | – |
| Fair value gains/(losses) from movements in own credit spreads | 0 | 0 | 228 | – | (100) | 0 | 372 | (100) |
| Other | 41 | 127 | 59 | (68) | (31) | 168 | 75 | 124 |
| **Net revenues** | **(95)** | **110** | **384** | – | – | **15** | **557** | (97) |
| **Provision for credit losses** | **(2)** | **1** | **0** | – | – | **(1)** | **0** | – |
| Compensation and benefits | 37 | (67) | 23 | – | 61 | (30) | 141 | – |
| General and administrative expenses | 101 | 108 | 97 | (6) | 4 | 209 | 202 | 3 |
| Commission expenses | 4 | 35 | 1 | (89) | 300 | 39 | 2 | – |
| Total other operating expenses | 105 | 143 | 98 | (27) | 7 | 248 | 204 | 22 |
| **Total operating expenses** | **142** | **76** | **121** | 87 | 17 | **218** | **345** | (37) |
| **Income/(loss) before taxes** | **(235)** | **33** | **263** | – | – | **(202)** | **212** | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 54,407 | 51,487 | 66,179 | 6 | (18) | 54,407 | 66,179 | (18) |
| Risk-weighted assets [1] | 17,850 | 17,455 | 15,061 | 2 | 19 | 17,850 | 15,061 | 19 |
| Leverage exposure [1] | 51,743 | 48,374 | 62,228 | 7 | (17) | 51,743 | 62,228 | (17) |
| **Expense allocation to divisions (CHF million)** | | | | | | | | |
| Compensation and benefits | 709 | 644 | 683 | 10 | 4 | 1,353 | 1,457 | (7) |
| General and administrative expenses | 859 | 955 | 897 | (10) | (4) | 1,814 | 1,771 | 2 |
| Commission expenses | 4 | 35 | 2 | (89) | 100 | 39 | 3 | – |
| Restructuring expenses | 33 | 82 | – | (60) | – | 115 | – | – |
| Total other operating expenses | 896 | 1,072 | 899 | (16) | 0 | 1,968 | 1,774 | 11 |
| **Total operating expenses before allocation to divisions** | **1,605** | **1,716** | **1,582** | (6) | 1 | **3,321** | **3,231** | 3 |
| Net allocation to divisions | 1,463 | 1,640 | 1,461 | (11) | 0 | 3,103 | 2,886 | 8 |
| of which Swiss Universal Bank | 303 | 363 | 341 | (17) | (11) | 666 | 681 | (2) |
| of which International Wealth Management | 244 | 280 | 248 | (13) | (2) | 524 | 496 | 6 |
| of which Asia Pacific | 200 | 196 | 185 | 2 | 8 | 396 | 361 | 10 |
| of which Global Markets | 488 | 550 | 450 | (11) | 8 | 1,038 | 873 | 19 |
| of which Investment Banking & Capital Markets | 74 | 80 | 64 | (8) | 16 | 154 | 127 | 21 |
| of which Strategic Resolution Unit | 154 | 171 | 173 | (10) | (11) | 325 | 348 | (7) |
| **Total operating expenses** | **142** | **76** | **121** | 87 | 17 | **218** | **345** | (37) |

[1] Disclosed on a look-through basis.

# Assets under management

As of the end of 2Q16, assets under management were CHF 1,218.4 billion, 3.2% higher compared to the end of 1Q16, primarily due to favorable market and foreign exchange-related movements and net new assets of CHF 12.1 billion.

**Assets under management**

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

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

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

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

**Net new assets**

Net new assets include individual cash payments, delivery of securities and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management.

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

## Assets under management and client assets

| | | | end of | % change |
|---|---|---|---|---|
| | **2Q16** | 1Q16 | 4Q15 | QoQ |
| **Assets under management (CHF billion)** | | | | |
| Swiss Universal Bank – Private Banking | 241.4 | 236.1 | 241.0 | 2.2 |
| Swiss Universal Bank – Corporate & Institutional Banking | 280.9 | 273.6 | 275.8 | 2.7 |
| International Wealth Management – Private Banking | 298.6 | 287.0 | 289.6 | 4.0 |
| International Wealth Management – Asset Management | 314.9 | 301.3 | 321.3 | 4.5 |
| Asia Pacific – Private Banking | 158.3 | 149.6 | 150.4 | 5.8 |
| Strategic Resolution Unit | 19.8 | 24.6 | 27.3 | (19.5) |
| Assets managed across businesses [1] | (95.5) | (91.4) | (91.3) | 4.5 |
| **Assets under management** | **1,218.4** | **1,180.8** | **1,214.1** | **3.2** |
| of which discretionary assets | 398.8 | 385.5 | 410.1 | 3.5 |
| of which advisory assets | 819.6 | 795.3 | 804.0 | 3.1 |
| **Client assets (CHF billion) [2]** | | | | |
| Swiss Universal Bank – Private Banking | 266.1 | 259.5 | 266.2 | 2.5 |
| Swiss Universal Bank – Corporate & Institutional Banking | 376.4 | 372.3 | 377.1 | 1.1 |
| International Wealth Management – Private Banking | 404.5 | 393.4 | 400.0 | 2.8 |
| International Wealth Management – Asset Management | 314.9 | 301.3 | 321.3 | 4.5 |
| Asia Pacific – Private Banking | 180.3 | 168.7 | 169.8 | 6.9 |
| Strategic Resolution Unit | 30.9 | 61.2 | 110.4 | (49.5) |
| Assets managed across businesses [1] | (95.5) | (91.4) | (91.3) | 4.5 |
| **Client Assets [2]** | **1,477.6** | **1,465.0** | **1,553.5** | **0.9** |

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

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

## Growth in assets under management

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Growth in assets under management (CHF billion)** | | | | | |
| **Net new assets** | **12.1** | **10.5** | **13.7** | **22.6** | **28.6** |
| of which Swiss Universal Bank – Private Banking | 0.9 | 0.7 | 1.5 | 1.6 | 3.0 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 0.7 | 2.3 | (1.6) | 3.0 | 4.5 |
| of which International Wealth Management – Private Banking | 5.4 | 5.4 | 0.2 | 10.8 | (0.5) |
| of which International Wealth Management – Asset Management [1] | 3.5 | 1.5 | 8.1 | 5.0 | 17.3 |
| of which Asia Pacific – Private Banking | 5.0 | 4.3 | 6.6 | 9.3 | 11.1 |
| of which Strategic Resolution Unit | (2.1) | (1.6) | (0.8) | (3.7) | (2.6) |
| of which assets managed across businesses [2] | (1.3) | (2.1) | (0.3) | (3.4) | (4.2) |
| **Other effects** | **25.5** | **(43.8)** | **(32.0)** | **(18.3)** | **(49.7)** |
| of which Swiss Universal Bank – Private Banking | 4.4 | (5.6) | (4.4) | (1.2) | (8.0) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 6.6 | (4.5) | (7.3) | 2.1 | (2.6) |
| of which International Wealth Management – Private Banking | 6.2 | (8.0) | (7.3) | (1.8) | (19.9) |
| of which International Wealth Management – Asset Management | 10.1 | (21.5) | (4.9) | (11.4) | (9.4) |
| of which Asia Pacific – Private Banking | 3.7 | (5.1) | (5.3) | (1.4) | (5.7) |
| of which Strategic Resolution Unit | (2.7) | (1.1) | (3.8) | (3.8) | (5.0) |
| of which assets managed across businesses [2] | (2.8) | 2.0 | 1.0 | (0.8) | 0.9 |
| **Growth in assets under management** | **37.6** | **(33.3)** | **(18.3)** | **4.3** | **(21.1)** |
| of which Swiss Universal Bank – Private Banking | 5.3 | (4.9) | (2.9) | 0.4 | (5.0) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 7.3 | (2.2) | (8.9) | 5.1 | 1.9 |
| of which International Wealth Management – Private Banking | 11.6 | (2.6) | (7.1) | 9.0 | (20.4) |
| of which International Wealth Management – Asset Management [1] | 13.6 | (20.0) | 3.2 | (6.4) | 7.9 |
| of which Asia Pacific – Private Banking | 8.7 | (0.8) | 1.3 | 7.9 | 5.4 |
| of which Strategic Resolution Unit | (4.8) | (2.7) | (4.6) | (7.5) | (7.6) |
| of which assets managed across businesses [2] | (4.1) | (0.1) | 0.7 | (4.2) | (3.3) |
| **Growth in assets under management (annualized) (%)** | | | | | |
| **Net new assets** | **4.1** | **3.5** | **4.0** | **3.7** | **4.2** |
| of which Swiss Universal Bank – Private Banking | 1.5 | 1.1 | 2.3 | 1.3 | 2.3 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 1.1 | 3.3 | (2.2) | 2.2 | 3.3 |
| of which International Wealth Management – Private Banking | 7.5 | 7.5 | 0.3 | 7.4 | (0.3) |
| of which International Wealth Management – Asset Management [1] | 4.6 | 1.9 | 10.4 | 3.0 | 11.3 |
| of which Asia Pacific – Private Banking | 13.4 | 11.4 | 17.1 | 12.4 | 14.8 |
| of which Strategic Resolution Unit | (34.1) | (22.7) | (2.3) | (27.1) | (3.6) |
| of which assets managed across businesses [2] | 5.7 | 9.2 | 1.3 | 7.4 | 9.4 |
| **Other effects** | **8.6** | **(14.5)** | **(9.4)** | **(3.0)** | **(7.3)** |
| of which Swiss Universal Bank – Private Banking | 7.5 | (9.2) | (6.8) | (1.0) | (6.2) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 9.6 | (6.5) | (10.2) | 1.5 | (1.9) |
| of which International Wealth Management – Private Banking | 8.6 | (11.1) | (9.4) | (1.2) | (12.3) |
| of which International Wealth Management – Asset Management | 13.4 | (26.8) | (6.3) | (7.0) | (6.2) |
| of which Asia Pacific – Private Banking | 9.9 | (13.5) | (13.7) | (1.8) | (7.6) |
| of which Strategic Resolution Unit | (43.9) | (16.6) | (10.8) | (27.8) | (7.0) |
| of which assets managed across businesses [2] | 12.2 | (8.8) | (4.3) | 1.8 | (2.0) |
| **Growth in assets under management** | **12.7** | **(11.0)** | **(5.4)** | **0.7** | **(3.1)** |
| of which Swiss Universal Bank – Private Banking | 9.0 | (8.1) | (4.5) | 0.3 | (3.9) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 10.7 | (3.2) | (12.4) | 3.7 | 1.4 |
| of which International Wealth Management – Private Banking | 16.1 | (3.6) | (9.1) | 6.2 | (12.6) |
| of which International Wealth Management – Asset Management [1] | 18.0 | (24.9) | 4.1 | (4.0) | 5.1 |
| of which Asia Pacific – Private Banking | 23.3 | (2.1) | 3.4 | 10.6 | 7.2 |
| of which Strategic Resolution Unit | (78.0) | (39.3) | (13.1) | (54.9) | (10.6) |
| of which assets managed across businesses [2] | 17.9 | 0.4 | (3.0) | 9.2 | 7.4 |

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

## Growth in assets under management (continued)

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Growth in net new assets (rolling four-quarter average) (%)** | | | | | |
| **Net new assets from continuing operations** | **3.0** | **3.1** | **2.5** | – | – |
| Net new assets from discontinued operations | 0.0 | 0.0 | (4.0) | – | – |
| **Net new assets** | **3.0** | **3.1** | **2.5** | – | – |
| of which Swiss Universal Bank – Private Banking | 0.7 | 0.9 | 0.5 | – | – |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 3.3 | 2.4 | 3.4 | – | – |
| of which International Wealth Management – Private Banking | 2.7 | 1.0 | 1.1 | – | – |
| of which International Wealth Management – Asset Management [1] | 4.5 | 6.1 | 4.1 | – | – |
| of which Asia Pacific – Private Banking | 10.3 | 11.4 | 13.9 | – | – |
| of which Strategic Resolution Unit | (3.7) | (2.6) | (4.6) | – | – |
| of which assets managed across businesses [2] | 3.6 | 2.4 | 5.2 | – | – |

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

### 2Q16 results

As of the end of 2Q16, assets under management of CHF 1,218.4 billion increased CHF 37.6 billion compared to the end of 1Q16, primarily due to favorable market and foreign exchange-related movements and net new assets of CHF 12.1 billion.

Swiss Universal Bank – Private Banking reported assets under management of CHF 241.4 billion as of the end of 2Q16, an increase of CHF 5.3 billion compared to the end of 1Q16, driven by favorable market movements and net new assets of CHF 0.9 billion.

Swiss Universal Bank – Corporate & Institutional Banking reported assets under management of CHF 280.9 billion as of the end of 2Q16, an increase of CHF 7.3 billion compared to the end of 1Q16, driven by favorable market and foreign exchange-related movements and net new assets of CHF 0.7 billion.

International Wealth Management – Private Banking reported assets under management of CHF 298.6 billion as of the end of 2Q16, an increase of CHF 11.6 billion compared to the end of 1Q16, reflecting net new assets of CHF 5.4 billion and favorable market and foreign exchange-related movements. The net new assets reflected solid inflows from emerging markets and Europe.

International Wealth Management – Asset Management reported assets under management of CHF 314.9 billion as of the end of 2Q16, an increase of CHF 13.6 billion compared to the end of 1Q16, reflecting favorable market movements, net new assets of CHF 3.5 billion and favorable foreign exchange-related movements. Net new assets reflected inflows from an emerging market joint venture and from a new product launch, partially offset by an outflow from a single mandate.

Asia Pacific – Private Banking reported assets under management of CHF 158.3 billion as of the end of 2Q16, an increase of CHF 8.7 billion compared to the end of 1Q16, mainly reflecting net new assets of CHF 5.0 billion and favorable foreign exchange-related and market movements. Net new assets reflected inflows primarily from the South East Asia, Australia, and Greater China.

The Strategic Resolution Unit reported CHF 19.8 billion of assets under management as of the end of 2Q16, a decrease of CHF 4.8 billion compared to the end of 1Q16, primarily reflecting unfavorable market movements and net asset outflows of CHF 2.1 billion, due to the wind-down of operations.

▸ Refer to “Swiss Universal Bank”, “International Wealth Management”, “Asia Pacific” and “Strategic Resolution Unit” in I – Credit Suisse results for further information.

▸ Refer to “Note 38 – Assets under management” in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

II

# Treasury, risk, balance sheet and off-balance sheet


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# Liquidity and funding management

In 2Q16, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

## OVERVIEW

Securities for funding and capital purposes have historically been issued primarily by the Bank, our principal operating subsidiary and a US registrant. In response to regulatory reform, we have started pursuing a dual track issuance strategy with securities offered at the Group level. Proceeds from issuances are lent to operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements and the former as desired by management to support business initiatives and liquidity needs.

Our internal liquidity risk management framework is subject to review and monitoring by FINMA, other regulators and rating agencies.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on liquidity and funding management.

## REGULATORY FRAMEWORK

### Basel III liquidity framework

In 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our interpretation of such requirements, including relevant assumptions and estimates. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown in this report.

The LCR, which is being phased in from January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have unencumbered high-quality liquid assets (HQLA) available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of HQLA in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% per year until January 1, 2019.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's on- and off-balance sheet activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and, once in effect, should always be at least 100%. Following an observation period which began in 2012, the NSFR will become a minimum standard on January 1, 2018, at which time banks will be required to comply with disclosure requirements prescribed by the BCBS and implemented by national regulators.

### Swiss liquidity requirements

In 2012, the Swiss Federal Council adopted a liquidity ordinance (Liquidity Ordinance) that implements Basel III liquidity requirements into Swiss law subject, in part, to further rule-making, including the final Basel III LCR rules adopted in 2014. As a result, all Swiss banks became subject to an initial 60% LCR requirement, with incremental increases by 10% per year until January 1, 2019. Systemically relevant banks like Credit Suisse became subject to an initial minimum LCR requirement of 100% beginning on January 1, 2015. Further, beginning in May 2015, FINMA required us to maintain a minimum LCR of 110% at all times.

Our liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on the Basel III liquidity framework and Swiss liquidity requirements.

## LIQUIDITY RISK MANAGEMENT FRAMEWORK

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we expect to have sufficient liquidity to sustain operations for a period of time in excess of our minimum limit. This includes potential currency mismatches, which are not deemed to be a major risk but are monitored and subject to limits, particularly in the significant currencies of euro, Japanese yen, pound sterling, Swiss franc and US dollar.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on our approach to liquidity risk management, governance and contingency planning.

## LIQUIDITY METRICS

### Liquidity pool

Treasury manages a sizeable portfolio of liquid assets, comprised of HQLA as defined by FINMA. A portion of the liquidity pool is generated through reverse repurchase agreements with top-rated counterparties. We are mindful of potential credit risk and therefore focus our liquidity holdings strategy on cash held at central banks, highly rated government bonds and short-term reverse repurchase agreements. These government bonds are eligible as collateral for liquidity facilities with various central banks including the SNB, the Fed, the ECB and the Bank of England. Our direct exposure on these bonds is limited to highly liquid, top-rated sovereign entities or fully guaranteed agencies of sovereign entities. The liquidity pool may be used to meet the liquidity requirements of our operating companies.

For the purpose of the LCR disclosure as of the end of 2Q16, our liquidity pool managed by Treasury had an HQLA value of CHF 195.3 billion. The liquidity pool consisted of CHF 123.6 billion of cash held at major central banks, primarily the SNB, the Fed and the ECB, and CHF 71.7 billion market value of securities issued by governments and government agencies, primarily from the US, UK, France and Germany. In addition to the liquidity portfolio managed by Treasury, there is also a portfolio of unencumbered liquid assets managed by various businesses, primarily in the Global Markets and Investment Banking & Capital Markets divisions. These assets generally include high-grade bonds and highly liquid equity securities that form part of major indices. In coordination with the businesses, Treasury can access these assets to generate liquidity if required. As of the end of 2Q16, the portfolio that is not managed by Treasury had a market value of CHF 29.7 billion, consisting of CHF 4.7 billion of high-grade bonds and CHF 25.0 billion of highly liquid equity securities. Under our internal model, an average stress-level haircut of 20% is applied to these assets. The haircuts applied to these portfolios reflect our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities.

### Liquidity coverage ratio – Group

| End of | | | | | | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|---|---|---|---|---|
| | Swiss franc | US dollar | Euro | Other currencies | Unweighted value [1] | **Weighted value [2]** | Weighted value [2] | Weighted value [2] |
| **High-Quality Liquid Assets (CHF million)** | | | | | | | | |
| Cash held at central banks | 55,406 | 48,194 | 17,602 | 2,397 | – | 123,599 | 101,652 | 86,740 |
| Securities | 1,705 | 50,457 | 1,201 | 18,381 | – | 71,744 | 83,546 | 88,566 |
| **High-quality liquid assets [3]** | **57,111** | **98,651** | **18,803** | **20,778** | **–** | **195,343** | **185,198** | **175,306** |
| **Cash outflows (CHF million)** | | | | | | | | |
| Retail deposits and deposits from small business customers | | | | | 152,196 | 19,011 | 19,252 | 19,362 |
| Unsecured wholesale funding | | | | | 200,366 | 81,391 | 81,833 | 86,619 |
| Secured wholesale funding | | | | | – | 70,464 | 77,893 | 86,778 |
| Additional requirements | | | | | 200,851 | 48,627 | 53,859 | 60,988 |
| Other contractual funding obligations | | | | | 68,484 | 68,484 | 64,947 | 49,946 |
| Other contingent funding obligations | | | | | 261,391 | 3,653 | 2,681 | 3,313 |
| **Total cash outflows** | | | | | **–** | **291,630** | **300,465** | **307,006** |
| **Cash inflows (CHF million)** | | | | | | | | |
| Secured lending | | | | | 128,213 | 76,838 | 81,187 | 95,418 |
| Inflows from fully performing exposures | | | | | 55,634 | 30,827 | 29,908 | 31,104 |
| Other cash inflows | | | | | 70,642 | 70,642 | 66,886 | 52,011 |
| **Total cash inflows** | | | | | **–** | **178,307** | **177,981** | **178,533** |
| **Liquidity coverage ratio** | | | | | | | | |
| High-quality liquid assets (CHF million) | | | | | | 195,343 | 185,198 | 175,306 |
| Net cash outflows (CHF million) | | | | | | 113,323 | 122,484 | 128,473 |
| **Liquidity coverage ratio (%)** | | | | | | **172** | **151** | **136** |

Calculated using a three-month average.

[1] Calculated as outstanding balances maturing or callable within 30 days.

[2] Calculated after the application of haircuts for high-quality liquid assets or inflow and outflow rates.

[3] Consists of cash and eligible securities as prescribed by FINMA.

### Liquidity Coverage Ratio

For disclosure purposes our LCR is calculated using a three-month average. As of the end of 2Q16, our LCR average was 172%, representing HQLA of CHF 195.3 billion and net cash outflows of CHF 113.3 billion.

The increase in the LCR compared to 1Q16 was driven by the increase in HQLA, primarily from higher deposits at central banks and reduced net cash outflows. This continues the strengthening of the ratio since 1Q15 and reflects our efforts to ensure that Group entities meet applicable local liquidity requirements.

The decrease in net cash outflows mainly reflected lower secured wholesale funding and reductions in additional requirements related to credit and liquidity facilities. Unsecured wholesale funding remained steady, with a reduction in non-operational deposits that offset an increase in unsecured debt.

The decrease in secured wholesale funding also reflected lower secured lending activity, primarily related to reductions in non-HQLA transactions. The reduction in the credit and liquidity facility outflows reflected lower credit commitment balances for purposes of the LCR calculation across all counterparty types.

Cash outflows from other contractual funding obligations and other cash inflows both increased, primarily reflecting balances related to open and failed trades. However, the net impact was minimal due to the symmetrical treatment of these trades across outflows and inflows.

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

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

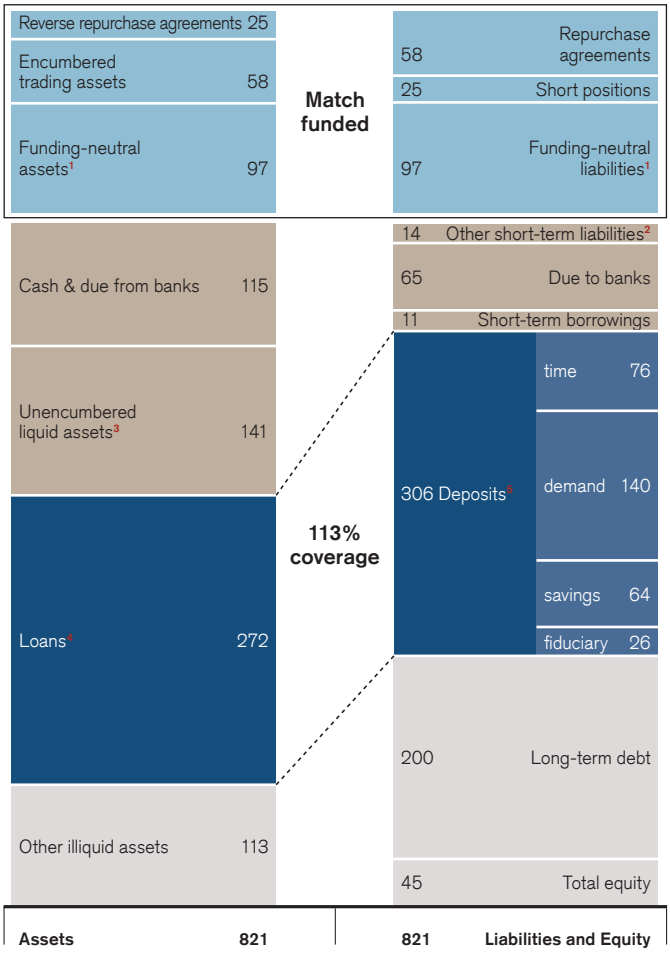
## FUNDING SOURCES AND USES

We fund our balance sheet primarily through core customer deposits, long-term debt, including structured notes, and shareholders' equity. We monitor the funding sources, including their concentrations against certain limits, according to their counterparty, currency, tenor, geography and maturity, and whether they are secured or unsecured.

A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

### Balance sheet funding structure

as of June 30, 2016 (CHF billion)




[1] Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.
[2] Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.
[3] Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.
[4] Excludes loans with banks.
[5] Excludes due to banks and certificates of deposit.

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

Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 13% as of the end of 2Q16, compared to 11% as of the end of 1Q16, primarily reflecting a small increase in deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as the haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

Our core customer deposits totaled CHF 306 billion as of the end of 2Q16, compared to CHF 299 billion as of the end of 1Q16, reflecting a small increase in the customer deposit base in private banking and corporate & institutional banking businesses. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proven to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

▸ Refer to the chart "Balance sheet funding structure" and "Balance sheet" in Balance sheet, off-balance sheet and other contractual obligations for further information.

## DEBT ISSUANCES AND REDEMPTIONS

Our long-term debt includes senior and subordinated debt issued in US-registered offerings and medium-term note programs, euro market medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds.

The following table provides information on long-term debt issuances, maturities and redemptions in 2Q16, excluding structured notes.

### Debt issuances and redemptions

| in 2Q16 | Senior | Senior bail-in | Subordinated | **Long-term debt** |
|---|---|---|---|---|
| **Long-term debt (CHF billion, notional value)** | | | | |
| **Issuances** | **5.9** | 6.3 | 0 | **12.2** |
| of which unsecured | 5.5 | 6.3 | 0 | 11.8 |
| of which secured [1] | 0.4 | 0 | 0 | 0.4 |
| **Maturities / Redemptions** | **1.4** | 0 | 0 | **1.4** |
| of which unsecured | 0.1 | 0 | 0 | 0.1 |
| of which secured [1] | 1.3 | 0 | 0 | 1.3 |

Excludes structured notes.
[1] Includes covered bonds.

As of the end of 2Q16, we had outstanding long-term debt of CHF 200.2 billion, which included senior and subordinated instruments. We had CHF 60.4 billion and CHF 18.7 billion of structured notes and covered bonds outstanding, respectively, as of the end of 2Q16 compared to CHF 55.0 billion and CHF 19.7 billion, respectively, as of the end of 1Q16.

▸ Refer to "Capital issuances and redemptions" in Capital management for information on capital issuances, including buffer and progressive capital notes.

As of the end of 2Q16, the weighted average maturity of long-term debt was 5.8 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity, or in 2030 for instruments without a stated final maturity).

Short-term borrowings decreased to CHF 11.2 billion as of the end of 2Q16 compared to CHF 14.8 billion as of the end of 1Q16.

## CREDIT RATINGS

In May 2016, Fitch Ratings downgraded the long-term rating of Credit Suisse Group AG by one notch and affirmed Credit Suisse AG's long-term rating while revising its outlook from positive to stable. The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 0.9 billion, CHF 2.9 billion and CHF 3.5 billion, respectively, as of the end of 2Q16, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller.

Potential cash outflows on these derivative contracts associated with a downgrade of our long-term debt credit ratings, such as the requirement to post additional collateral to the counterparty, the loss of re-hypothecation rights on any collateral received and impacts arising from additional termination events are monitored and taken into account in the calculation of our liquidity requirements. There are additional derivative related risks that do not relate to the downgrade of our long term debt credit ratings and which may impact our liquidity position, including risks relating to holdings of derivatives collateral or potential movements in the valuation of derivatives positions. The potential outflows resulting across all derivate product types are monitored as part of the LCR scenario parameters and internal liquidity reporting.

▸ Refer to "Credit ratings" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information.

# Capital management

As of the end of 2Q16, our CET1 ratio was 14.2% under Basel III and 11.8% on a look-through basis. Our risk-weighted assets were CHF 275.1 billion and our tier 1 capital was CHF 49.8 billion. Our BIS tier 1 leverage ratio was 5.1% and 4.4% on a look-through basis.

## REGULATORY CAPITAL FRAMEWORK

### Overview

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

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

▸ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information.

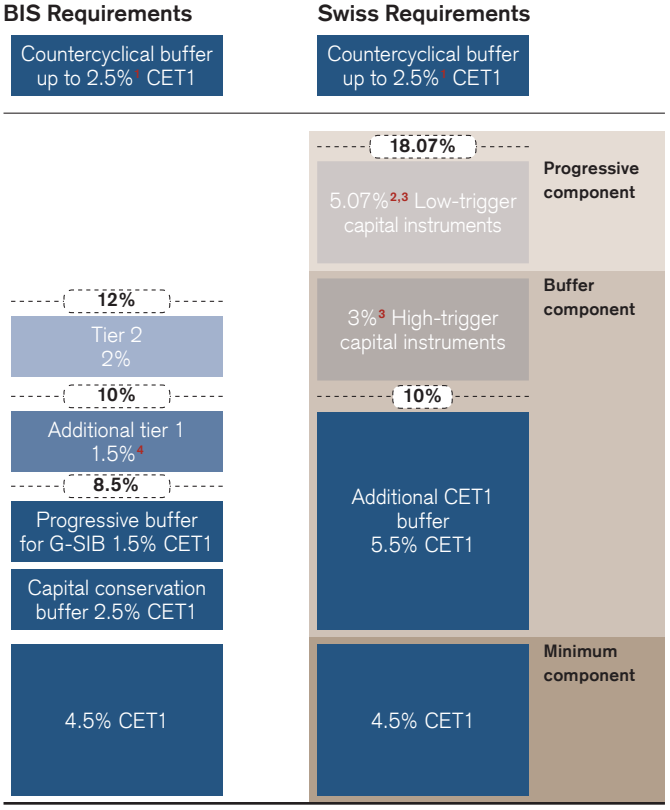
### BIS requirements

The BCBS, the standard setting committee within the BIS, issued the Basel III framework, with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector and requires banks to hold more capital, mainly in the form of common equity. The new capital standards are being phased in from 2013 through 2018 and are fully effective January 1, 2019 for those countries that have adopted Basel III.

▸ Refer to the table "Basel III phase-in requirements for Credit Suisse" for capital requirements and applicable effective dates during the phase-in period.

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

### Basel III capital frameworks for Credit Suisse




[1] As of June 30, 2014, banks must hold, pursuant to both BIS and FINMA requirements, CET1 capital in the amount of 2% of RWA pertaining to mortgage loans that finance residential property in Switzerland.

[2] The progressive component requirement is dependent on our size (leverage exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA.

[3] Counts towards Basel III minimum requirements as tier 1 or tier 2 capital depending on the quality of the underlying instruments.

[4] Additional tier 1 instruments must provide for principal loss absorption through a conversion into common equity or write-down feature. The trigger for such a conversion or write-down must include a CET1 ratio of at least 5.125%.

## Basel III phase-in requirements for Credit Suisse

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

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

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

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

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

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

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

### Swiss Requirements

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

▸ Refer to "Swiss Requirements" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Regulatory capital framework in the Credit Suisse Annual Report 2015 for further information.

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

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

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

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

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

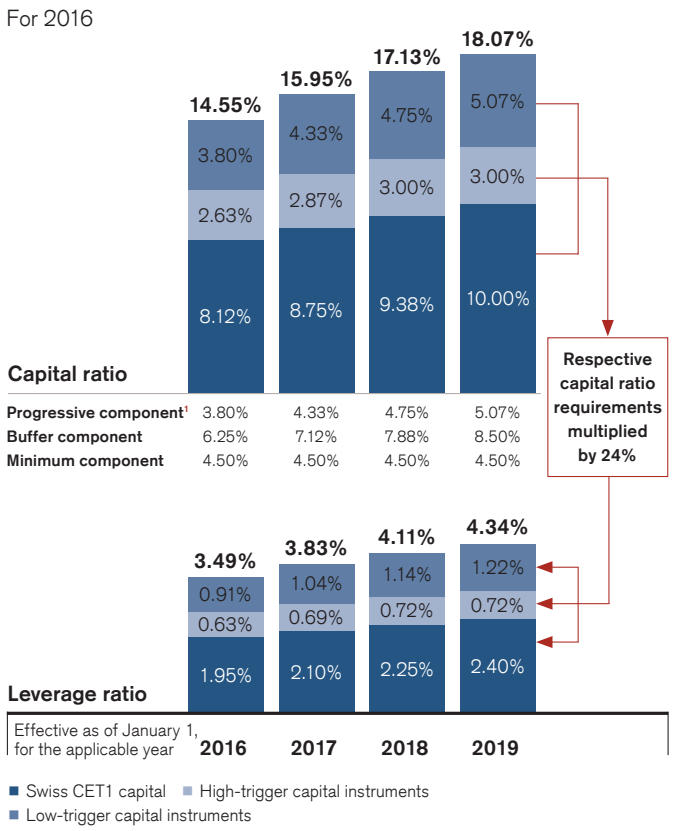
In 2013, FINMA introduced increased capital charges for mortgages that finance owner occupied residential property in Switzerland (mortgage multiplier) to be phased in through January 1, 2019. The mortgage multiplier applies for purposes of both BIS and FINMA requirements.

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

▸ Refer to "Regulatory developments and proposals" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2015 for further information on the FINMA Decree.

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

## Swiss capital and leverage ratio phase-in requirements for Credit Suisse




Excludes the countercyclical buffer that was required as of September 30, 2013.

### Risk measurement models

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

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period. In 2Q16, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

▸ Refer to "Market risk review" in Risk management for further information.

▸ Refer to "Risk measurement models" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Regulatory capital framework in the Credit Suisse Annual Report 2015 for further information.

## REGULATORY DEVELOPMENTS AND PROPOSALS

In May 2016, the Swiss Federal Council amended the Capital Adequacy Ordinance (CAO) applicable to Swiss banks. The amendment recalibrates and expands the existing "Too Big to Fail" regime in Switzerland. Under the amended regime, systemically important banks operating internationally, such as Credit Suisse, will be subject to two different minimum requirements for loss-absorbing capacity: G-SIBs must hold sufficient capital that absorbs current operating losses to ensure continuity of service (going concern requirement) and they must issue sufficient debt instruments to fund restructuring without recourse to public resources (gone concern requirement). The going concern and the gone concern capital requirements are consistent with the FSB's total loss-absorbing capacity (TLAC) standard. The amended CAO came into effect on July 1, 2016, subject to phase-in and grandfathering provisions for certain outstanding instruments, and has to be fully applied by January 1, 2020.

### Going concern capital requirement

The going concern capital requirement applicable in 2020 for a G-SIB consists of (i) a base requirement of 12.86% of RWA and a 4.5% Swiss leverage ratio; and (ii) a surcharge, which reflects the G-SIB's systemic importance and is subject to potential capital rebates that may be granted by FINMA. For Credit Suisse, this currently translates into a going concern capital requirement of 14.3% of RWA, of which the minimum CET1 component is 10%, with the remainder to be met with a maximum of 4.3% of high-trigger tier 1 capital instruments that would be converted into common equity or written down if the CET1 ratio falls below 7%. Under the going concern requirement, the Swiss leverage ratio must be 5%, of which the minimum CET1 component is 3.5%, with the remainder to be met with a maximum of 1.5% of high-trigger tier 1 capital instruments.

Additionally, Swiss banks with a certain size and a certain exposure outside of Switzerland, such as Credit Suisse, may be obliged to maintain a supplementary countercyclical buffer of up to 2.5% of RWA.

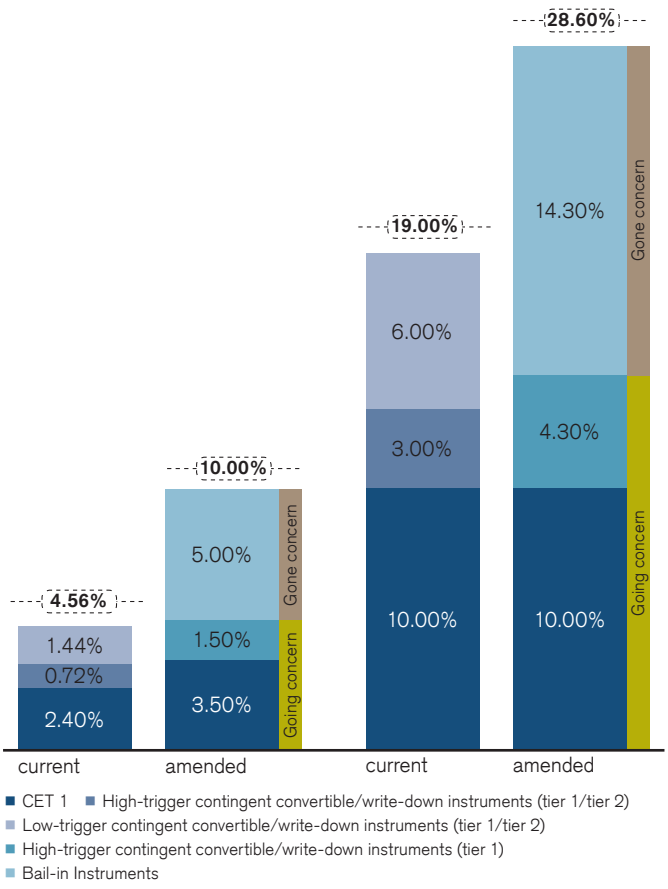
### Gone concern capital requirement

The gone concern requirement of a G-SIB is equal to its total going concern capital requirement, that is in 2020, a minimum of 12.86% of RWA and a minimum 4.5% Swiss leverage ratio, plus any surcharges applicable to the relevant G-SIB, but not including any countercyclical buffers. Credit Suisse is currently subject to a gone concern requirement of 14.3% of RWA and a 5% Swiss leverage ratio.

The gone concern requirement should primarily be fulfilled with bail-in debt instruments that are designed to absorb losses after the write down or conversion of regulatory capital of a G-SIB in a restructuring scenario, but before the write down or conversion of other senior obligations of the G-SIB. Bail-in debt instruments do not feature capital triggers that may lead to a write-down and/or a conversion into equity outside of restructuring, but only begin to bear losses once the G-SIB is formally in restructuring and FINMA orders capital measures (i.e., a write-down and/or a conversion into equity) in the restructuring plan.

According to the amended CAO, bail-in debt instruments must fulfill certain criteria in order to qualify under the gone concern requirement, including FINMA approval. In addition to bail-in debt instruments, the gone concern requirement may further be fulfilled with other capital instruments, including CET1, additional tier 1 capital instruments or tier 2 capital instruments.

### Amended "Too Big to Fail" requirements for Swiss G-SIBs




#### Grandfathering provisions

The CAO provides for a number of grandfathering provisions with regard to the qualification of previously issued additional tier 1 capital instruments and tier 2 capital instruments:

- Tier 2 capital instruments with a high trigger qualify as going concern capital until the earlier of (i) their maturity date or first call date; and (ii) December 31, 2019. Tier 2 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify as gone concern capital until one year before their final maturity;
- Additional tier 1 capital instruments with a low trigger qualify as going concern capital until their first call date. Additional tier 1 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify for the gone concern capital; and
- Tier 2 capital instruments with a low trigger qualify as going concern capital until the earlier of (i) their maturity date or first call date; and (ii) December 31, 2019. Tier 2 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify as gone concern capital until one year before their final maturity.

Furthermore, to be eligible as gone concern capital, outstanding bail-in debt instruments issued before July 1, 2016 and bail-in debt instruments to be issued by a (Swiss or foreign) special purpose vehicle before January 1, 2017 must be approved by FINMA.

Both the going concern and the gone concern requirements are subject to a phase-in with gradually increasing requirements and have to be fully applied by January 1, 2020.

#### Interest rate risk in the banking book

In April 2016, the BCBS published revised standards for the measurement of interest rate risk in the banking book (IRRBB). The revised IRRBB framework continues to outline a Pillar 2 supervisory review approach under the Basel framework but provides more guidance on the banks' management process and requires additional disclosures as of year-end 2017.

## ISSUANCES AND REDEMPTIONS

#### Share issuances

In 2Q16, the Group issued 133 million common shares in the amount of CHF 1,667 million in connection with a scrip dividend, deferred share-based compensation and earn-out payments relating to the acquisition of our interest in York Capital Management (York).

#### Capital redemptions

There were no capital redemptions in 2Q16.

#### Higher Trigger Capital Amount

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

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5.125%, the Higher Trigger Capital Amount was CHF 8.4 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all RWA of the Group) was 3.1%, both as of the end of 2Q16.

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5%, the Higher Trigger Capital Amount was CHF 13.6 billion and the Higher Trigger Capital Ratio was 4.9%, both as of the end of 2Q16.

▸ Refer to the table "BIS capital metrics – Group" for further information on the BIS statistics used to calculate such measures.

▸ Refer to "Higher Trigger Capital Amount" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Capital issuances and redemptions in the Credit Suisse Annual Report 2015 for further information on the Higher Trigger Capital Amount.

## BIS capital metrics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q16** | 1Q16 | 4Q15 | % change QoQ | **2Q16** | 1Q16 | 4Q15 | % change QoQ |
| **Capital and risk-weighted assets (CHF million)** | | | | | | | | |
| CET1 capital | 38,933 | 38,682 | 42,072 | 1 | 32,048 | 31,840 | 32,938 | 1 |
| Tier 1 capital | 49,780 | 49,221 | 53,063 | 1 | 43,005 | 42,536 | 44,601 | 1 |
| Total eligible capital | 58,850 | 58,168 | 62,682 | 1 | 49,921 | 49,345 | 51,425 | 1 |
| Risk-weighted assets | 275,056 | 283,937 | 294,950 | (3) | 271,455 | 280,382 | 289,946 | (3) |
| **Capital ratios (%)** | | | | | | | | |
| CET1 ratio | 14.2 | 13.6 | 14.3 | – | 11.8 | 11.4 | 11.4 | – |
| Tier 1 ratio | 18.1 | 17.3 | 18.0 | – | 15.8 | 15.2 | 15.4 | – |
| Total capital ratio | 21.4 | 20.5 | 21.3 | – | 18.4 | 17.6 | 17.7 | – |

## Eligible capital – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q16** | 1Q16 | 4Q15 | % change QoQ | **2Q16** | 1Q16 | 4Q15 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | | | |
| **Total shareholders' equity** | **44,962** | **44,997** | **44,382** | 0 | **44,962** | **44,997** | **44,382** | 0 |
| Regulatory adjustments [1] | (223) | (591) | (459) | (62) | (223) | (591) | (459) | (62) |
| **Adjustments subject to phase-in** | | | | | | | | |
| Accounting treatment of defined benefit pension plans | 1,362 | 1,389 | 2,132 | (2) | – | – | – | – |
| Common share capital issued by subsidiaries and held by third parties | 73 | 62 | 89 | 18 | – | – | – | – |
| Goodwill [2] | (2,819) | (2,787) | (1,906) | 1 | (4,699) | (4,645) | (4,765) | 1 |
| Other intangible assets [2] | (39) | (41) | (28) | (5) | (65) | (68) | (71) | (4) |
| Deferred tax assets that rely on future profitability | (2,359) | (2,210) | (1,262) | 7 | (3,931) | (3,683) | (3,155) | 7 |
| Shortfall of provisions to expected losses | (310) | (278) | (234) | 12 | (517) | (463) | (584) | 12 |
| Gains/(losses) due to changes in own credit on fair-valued liabilities | (1,225) | (1,207) | (185) | 1 | (2,042) | (2,012) | (463) | 1 |
| Defined benefit pension assets [2] | (336) | (348) | (244) | (3) | (559) | (581) | (611) | (4) |
| Investments in own shares | (22) | (24) | (8) | (8) | (37) | (41) | (21) | (10) |
| Other adjustments [3] | (54) | (39) | (2) | 38 | (92) | (65) | (5) | 42 |
| Deferred tax assets from temporary differences (threshold-based) | (77) | (241) | (203) | (68) | (749) | (1,008) | (1,310) | (26) |
| **Adjustments subject to phase-in** | **(5,806)** [4] | **(5,724)** | **(1,851)** | 1 | **(12,691)** | **(12,566)** | **(10,985)** | 1 |
| **CET1 capital** | **38,933** | **38,682** | **42,072** | 1 | **32,048** | **31,840** | **32,938** | 1 |
| High-trigger capital instruments (7% trigger) | 5,768 | 5,679 | 6,562 | 2 | 5,768 | 5,679 | 6,562 | 2 |
| Low-trigger capital instruments (5.125% trigger) | 5,189 | 5,017 | 5,101 | 3 | 5,189 | 5,017 | 5,101 | 3 |
| **Additional tier 1 instruments** | **10,957** | **10,696** | **11,663** | 2 | **10,957** | **10,696** | **11,663** | 2 |
| Additional tier 1 instruments subject to phase-out [5] | 2,672 | 2,579 | 2,616 | 4 | – | – | – | – |
| Deductions from additional tier 1 capital | (2,782) [6] | (2,736) | (3,288) | 2 | – | – | – | – |
| **Additional tier 1 capital** | **10,847** | **10,539** | **10,991** | 3 | **10,957** | **10,696** | **11,663** | 2 |
| **Tier 1 capital** | **49,780** | **49,221** | **53,063** | 1 | **43,005** | **42,536** | **44,601** | 1 |
| High-trigger capital instruments (7% trigger) | 2,649 | 2,620 | 2,682 | 1 | 2,649 | 2,620 | 2,682 | 1 |
| Low-trigger capital instruments (5% trigger) | 4,267 | 4,189 | 4,142 | 2 | 4,267 | 4,189 | 4,142 | 2 |
| **Tier 2 instruments** | **6,916** | **6,809** | **6,824** | 2 | **6,916** | **6,809** | **6,824** | 2 |
| Tier 2 instruments subject to phase-out | 2,257 | 2,231 | 2,970 | 1 | – | – | – | – |
| Deductions from tier 2 capital | (103) | (93) | (175) | 11 | – | – | – | – |
| **Tier 2 capital** | **9,070** | **8,947** | **9,619** | 1 | **6,916** | **6,809** | **6,824** | 2 |
| **Total eligible capital** | **58,850** | **58,168** | **62,682** | 1 | **49,921** | **49,345** | **51,425** | 1 |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Net of deferred tax liability.
[3] Includes cash flow hedge reserve.
[4] Reflects 60% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 40% of an adjustment primarily for the accounting treatment of pension plans pursuant to phase-in requirements.
[5] Includes hybrid capital instruments that are subject to phase-out.
[6] Includes 40% of goodwill and other intangible assets (CHF 1.9 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.

## Capital movement – Group

| 2Q16 | Phase-in | Look-through |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **38,682** | **31,840** |
| Net income attributable to shareholders | 170 | 170 |
| Foreign exchange impact | 240 [1] | 184 |
| Other | (159) [2] | (146) |
| **Balance at end of period** | **38,933** | **32,048** |
| **Additional tier 1 capital (CHF million)** | | |
| **Balance at beginning of period** | **10,539** | **10,696** |
| Foreign exchange impact | 146 | 129 |
| Other | 162 | 132 |
| **Balance at end of period** | **10,847** | **10,957** |
| **Tier 2 capital (CHF million)** | | |
| **Balance at beginning of period** | **8,947** | **6,809** |
| Foreign exchange impact | 79 | 67 |
| Other | 44 | 40 |
| **Balance at end of period** | **9,070** | **6,916** |
| **Eligible capital (CHF million)** | | |
| **Balance at end of period** | **58,850** | **49,921** |

[1] Includes US GAAP cumulative translation adjustments and the foreign exchange impact on regulatory CET1 adjustments.
[2] Includes the net effect of share-based compensation and pensions, the impact of a dividend accrual, which includes the assumption that 60% of the proposed dividend is distributed in shares, the issuance of common shares, net of related fees and taxes, and a change in other regulatory adjustments (e.g., certain deferred tax assets).

## BIS CAPITAL METRICS

### Regulatory capital and ratios

Our CET1 ratio was 14.2% as of the end of 2Q16 compared to 13.6% as of the end of 1Q16, reflecting lower RWA and slightly higher CET1 capital. Our tier 1 ratio was 18.1% as of the end of 2Q16 compared to 17.3% as of the end of 1Q16. Our total capital ratio was 21.4% as of the end of 2Q16 compared to 20.5% as of the end of 1Q16.

CET1 capital was CHF 38.9 billion as of the end of 2Q16 compared to CHF 38.7 billion as of the end of 1Q16, mainly reflecting the issuance of common shares, a positive foreign exchange impact and net income attributable to shareholders, partially offset by the net effect of share-based compensation.

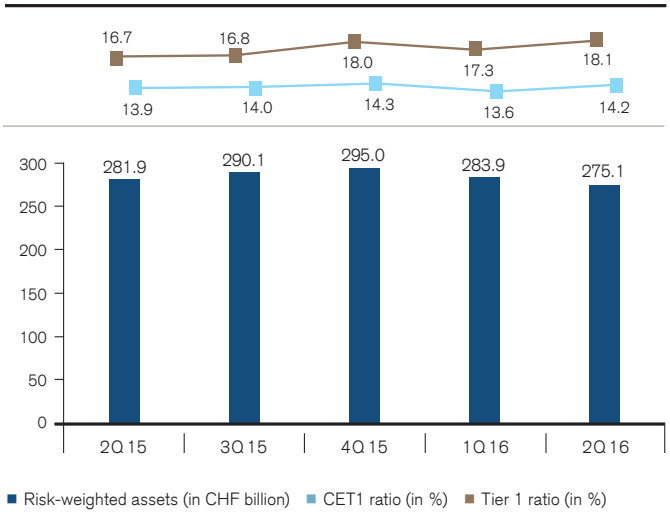
Additional tier 1 capital increased to CHF 10.8 billion as of the end of 2Q16 compared to CHF 10.5 billion as of the end of 1Q16, mainly reflecting the positive foreign exchange impact.

Tier 2 capital was CHF 9.1 billion as of the end of 2Q16 compared to CHF 8.9 billion as of the end of 1Q16, mainly reflecting the positive foreign exchange impact.

Total eligible capital was CHF 58.9 billion as of the end of 2Q16 compared to CHF 58.2 billion as of the end of 1Q16, reflecting the slight increases in CET1 capital, additional tier 1 capital and tier 2 capital.

As of the end of 2Q16, the look-through CET1 ratio was 11.8% compared to 11.4% as of the end of 1Q16. As of the end of 2Q16, the look-through total capital ratio was 18.4% compared to 17.6% as of the end of 1Q16.

## Risk-weighted assets and capital ratios – Group




## RISK-WEIGHTED ASSETS

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

RWA decreased 3% to CHF 275.1 billion as of the end of 2Q16 from CHF 283.9 billion as of the end of 1Q16, driven by a reduction in risk levels and methodology and policy changes in operational risk. This decrease was partially offset by increases resulting from the foreign exchange impact, methodology and policy changes and model and parameter updates in credit risk and market risk.

Excluding the foreign exchange impact, the decrease in **credit risk** was primarily driven by movements in risk levels, partially offset by methodology and policy changes and model and parameter updates. Movements in risk levels attributable to book size

resulted from reductions in commercial lending in Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit, partially offset by an increase in Asia Pacific. There was also a reduction in banking book securitizations in Global Markets, Swiss Universal Bank, International Wealth Management and the Strategic Resolution Unit and a reduction in private equity investments in Global Markets and International Wealth Management. The decrease in risk levels attributable to book quality was related to credit spread changes for advanced CVA. Internal methodology and policy changes resulted primarily from an enhancement of the model applied to share-backed lending in Global Markets and Asia Pacific. External methodology and policy changes were related to the additional phase-in of the multiplier on residential and commercial income producing real estate within Swiss Universal Bank and the multiplier on certain investment banking corporate exposures across the Group.

Excluding the foreign exchange impact, the decrease in **market risk** was primarily driven by decreases in risk levels, partially offset by internal methodology and policy changes and model and parameter updates. The movement in risk levels was primarily related to a reduction in market risk levels and trading book securitization exposures in Global Markets and the Strategic Resolution Unit. Additional decreases in market risk levels in Swiss Universal Bank and International Wealth Management were partially offset by an increase in market risk in Asia Pacific. The increase in internal methodology and policy changes was mainly due to the application of a standardized approach to trading book securitizations, which was formerly under the ratings based approach. Increases in model and parameter updates were primarily due to market data updates for stressed spreads within Global Markets, Swiss Universal Bank, Asia Pacific and the Strategic Resolution Unit.

The decrease in **operational risk** was driven by internal methodology changes related to a new insurance policy applied in late 2Q16. FINMA approved the policy as part of the advanced measurement approach (AMA) model enhancements. The RWA impacts of this insurance policy were partially recognized in 2Q16, with the remainder expected to be recognized in 3Q16.

## Risk-weighted assets – Group

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Group |
|---|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | | |
| Credit risk | 51,595 | 20,386 | 18,838 | 27,282 | 13,864 | 33,591 | 16,848 | **182,404** |
| Market risk | 680 | 687 | 7,954 | 8,463 | 103 | 3,617 | 151 | **21,655** |
| Operational risk | 11,937 | 12,289 | 4,783 | 14,954 | 2,546 | 19,000 | 0 | **65,509** |
| Non-counterparty risk | 392 | 251 | 69 | 51 | 0 | 273 | 4,452 | **5,488** |
| **Risk-weighted assets – phase-in** | **64,604** | **33,613** | **31,644** | **50,750** | **16,513** | **56,481** | **21,451** | **275,056** |
| Look-through adjustment | – | – | – | – | – | – | (3,601) | **(3,601)** |
| **Risk-weighted assets – look-through** | **64,604** | **33,613** | **31,644** | **50,750** | **16,513** | **56,481** | **17,850** | **271,455** |
| **4Q15 (CHF million)** | | | | | | | | |
| Credit risk | 47,989 | 18,653 | 15,214 | 33,955 | 12,856 | 45,739 | 18,792 | **193,198** |
| Market risk | 801 | 858 | 4,744 | 15,986 | 112 | 7,129 | 169 | **29,799** |
| Operational risk | 11,240 | 13,115 | 6,812 | 12,839 | 3,182 | 19,250 | 0 | **66,438** |
| Non-counterparty risk | 322 | 254 | 65 | 58 | 0 | 306 | 4,510 | **5,515** |
| **Risk-weighted assets – phase-in** | **60,352** | **32,880** | **26,835** | **62,838** | **16,150** | **72,424** | **23,471** | **294,950** |
| Look-through adjustment | – | – | – | – | – | – | (5,004) | **(5,004)** |
| **Risk-weighted assets – look-through** | **60,352** | **32,880** | **26,835** | **62,838** | **16,150** | **72,424** | **18,467** | **289,946** |

## Risk-weighted asset movement by risk type – Group

| 2Q16 (CHF million) | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Total |
|---|---|---|---|---|---|---|---|---|
| **Credit risk** | | | | | | | | |
| **Balance at beginning of period** | **51,090** | **19,364** | **15,950** | **28,767** | **14,243** | **39,268** | **16,340** | **185,022** |
| Foreign exchange impact | 368 | 90 | 269 | 472 | 299 | 733 | 172 | 2,403 |
| Movements in risk levels | (392) | 872 | 1,796 | (2,929) | (663) | (6,479) | 402 | (7,393) |
| of which credit risk – book size [1] | (1,093) | 816 | 2,219 | (1,355) | (1,262) | (5,199) | 150 | (5,724) |
| of which credit risk – book quality [2] | 701 | 56 | (423) | (1,574) | 599 | (1,280) | 252 | (1,669) |
| Model and parameter updates [3] | (275) | (63) | 49 | 354 | 28 | 50 | (71) | 72 |
| Methodology and policy changes – internal [4] | 247 | 123 | 621 | 463 | 22 | (49) | 1 | 1,428 |
| Methodology and policy changes – external [5] | 557 | 0 | 153 | 155 | (65) | 68 | 4 | 872 |
| **Balance at end of period – phase-in** | **51,595** | **20,386** | **18,838** | **27,282** | **13,864** | **33,591** | **16,848** | **182,404** |
| **Market risk** | | | | | | | | |
| **Balance at beginning of period** | **1,105** | **1,140** | **6,849** | **11,967** | **203** | **5,589** | **214** | **27,067** |
| Foreign exchange impact | 21 | 21 | 46 | 168 | 3 | 85 | (1) | 343 |
| Movements in risk levels | (630) | (493) | 835 | (4,741) | (106) | (2,174) | (62) | (7,371) |
| Model and parameter updates [3] | 174 | 9 | 129 | 391 | 1 | 70 | 0 | 774 |
| Methodology and policy changes – internal [4] | 10 | 10 | 95 | 678 | 2 | 47 | 0 | 842 |
| **Balance at end of period – phase-in** | **680** | **687** | **7,954** | **8,463** | **103** | **3,617** | **151** | **21,655** |
| **Operational risk** | | | | | | | | |
| **Balance at beginning of period** | **11,928** | **12,279** | **4,779** | **15,908** | **2,544** | **19,000** | **0** | **66,438** |
| Movements in risk levels | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Model and parameter updates [3] | 8 | 10 | 4 | 12 | 2 | 0 | 0 | 36 |
| Methodology and policy changes – internal [4] | 0 | 0 | 0 | (966) | 0 | 0 | 0 | (966) |
| **Balance at end of period – phase-in** | **11,937** | **12,289** | **4,783** | **14,954** | **2,546** | **19,000** | **0** | **65,509** |
| **Non-counterparty risk** | | | | | | | | |
| **Balance at beginning of period** | **314** | **245** | **71** | **56** | **0** | **268** | **4,456** | **5,410** |
| Movements in risk levels | 78 | 6 | (2) | (5) | 0 | 5 | (4) | 78 |
| **Balance at end of period – phase-in** | **392** | **251** | **69** | **51** | **0** | **273** | **4,452** | **5,488** |
| **Total** | | | | | | | | |
| **Balance at beginning of period** | **64,437** | **33,028** | **27,649** | **56,698** | **16,990** | **64,125** | **21,010** | **283,937** |
| Foreign exchange impact | 389 | 111 | 315 | 640 | 302 | 818 | 171 | 2,746 |
| Movements in risk levels | (943) | 385 | 2,629 | (7,675) | (769) | (8,648) | 336 | (14,685) |
| Model and parameter updates [3] | (93) | (44) | 182 | 757 | 31 | 120 | (71) | 882 |
| Methodology and policy changes – internal [4] | 257 | 133 | 716 | 175 | 24 | (2) | 1 | 1,304 |
| Methodology and policy changes – external [5] | 557 | 0 | 153 | 155 | (65) | 68 | 4 | 872 |
| **Balance at end of period – phase-in** | **64,604** | **33,613** | **31,644** | **50,750** | **16,513** | **56,481** | **21,451** | **275,056** |
| Look-through adjustment [6] | – | – | – | – | – | – | (3,601) | (3,601) |
| **Balance at end of period – look-through** | **64,604** | **33,613** | **31,644** | **50,750** | **16,513** | **56,481** | **17,850** | **271,455** |

[1] Represents changes in portfolio size.
[2] Represents changes in average risk weighting across credit risk classes.
[3] Represents movements arising from updates to models and recalibrations of parameters.
[4] Represents internal changes impacting how exposures are treated.
[5] Represents externally prescribed regulatory changes impacting how exposures are treated.
[6] The look-through adjustment impacts only credit risk within the Corporate Center. The difference between phase-in and look-through risk-weighted assets relates to transitional arrangements such as the impact from pension assets and deferred tax assets not deducted from CET1 during the phase-in period and the transitional impact from threshold-related risk-weighted assets.

## LEVERAGE METRICS

Beginning in 1Q15, Credit Suisse adopted the BIS leverage ratio framework, as issued by the BCBS and implemented in Switzerland by FINMA. Under the BIS framework, the leverage ratio measures tier 1 capital against the end of period exposure. BIS leverage amounts are calculated based on our interpretation of, and assumptions and estimates related to, the BIS requirements as implemented in Switzerland by FINMA. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown here. As used herein, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments.

The look-through leverage exposure was CHF 966.5 billion as of the end of 2Q16, stable compared to the end of 1Q16. The movement was primarily due to a decrease in adjustments for derivative financial instruments, reflecting a reduction in derivative transactions, and a decrease in adjustments for off-balance sheet exposures relating to commitments and the foreign exchange translation impact. The slight increase in the Group's consolidated balance sheet reflected the foreign exchange translation impact, partially offset by lower operating activities.

▸ Refer to "Balance sheet and off-balance sheet" for further information on the reduction in the Group's consolidated balance sheet.

### Leverage exposure components – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q16** | 1Q16 | 4Q15 | % change QoQ | **2Q16** | 1Q16 | 4Q15 | % change QoQ |
| **Leverage exposure (CHF million)** | | | | | | | | |
| **Balance sheet assets** | **821,164** | **813,898** | **820,805** | 1 | **821,164** | **813,898** | **820,805** | 1 |
| **Adjustments** | | | | | | | | |
| Difference in scope of consolidation and tier 1 capital deductions [1] | (11,067) | (11,903) | (10,553) | (7) | (15,276) | (16,073) | (16,431) | (5) |
| Derivative financial instruments | 95,582 | 100,417 | 104,353 | (5) | 95,582 | 100,417 | 104,353 | (5) |
| Securities financing transactions | (15,710) | (14,147) | (16,214) | 11 | (15,710) | (14,147) | (16,214) | 11 |
| Off-balance sheet exposures | 80,788 | 85,446 | 95,115 | (5) | 80,788 | 85,446 | 95,115 | (5) |
| **Total adjustments** | **149,593** | **159,813** | **172,701** | (6) | **145,384** | **155,643** | **166,823** | (7) |
| **Leverage exposure** | **970,757** | **973,711** | **993,506** | 0 | **966,548** | **969,541** | **987,628** | 0 |

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

### Look-through leverage exposure – Group

| end of | **2Q16** | 1Q16 | 4Q15 |
|---|---|---|---|
| **Look-through leverage exposure (CHF million)** | | | |
| Swiss Universal Bank | 245,108 | 242,144 | 238,180 |
| International Wealth Management | 95,442 | 90,865 | 101,628 |
| Asia Pacific | 107,595 | 103,872 | 98,632 |
| Global Markets | 279,099 | 280,029 | 276,656 |
| Investment Banking & Capital Markets | 43,762 | 44,369 | 40,898 |
| Strategic Resolution Unit | 143,805 | 159,888 | 168,544 |
| Corporate Center | 51,737 | 48,374 | 63,090 |
| **Leverage exposure** | **966,548** | **969,541** | **987,628** |

### BIS leverage ratios – Group

The tier 1 leverage ratio was 5.1% as of the end of 2Q16, with a CET1 component of 4.0%. On a look-through basis, the tier 1 leverage ratio was 4.4%, with a CET1 component of 3.3%.

The tier 1 leverage ratio and the CET1 leverage ratio were stable compared to the end of 1Q16, reflecting the slight increase in CET1 capital, partially offset by a slightly lower leverage exposure.

## BIS leverage metrics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q16** | 1Q16 | 4Q15 | % change QoQ | **2Q16** | 1Q16 | 4Q15 | % change QoQ |
| **Capital (CHF million)** | | | | | | | | |
| CET1 capital | 38,933 | 38,682 | 42,072 | 1 | 32,048 | 31,840 | 32,938 | 1 |
| Tier 1 capital | 49,780 | 49,221 | 53,063 | 1 | 43,005 | 42,536 | 44,601 | 1 |
| **Leverage exposure (CHF million)** | | | | | | | | |
| Leverage exposure | 970,757 | 973,711 | 993,506 | 0 | 966,548 | 969,541 | 987,628 | 0 |
| **Leverage ratios (%)** | | | | | | | | |
| CET1 leverage ratio | 4.0 | 4.0 | 4.2 | – | 3.3 | 3.3 | 3.3 | – |
| Tier 1 leverage ratio | 5.1 | 5.1 | 5.3 | – | 4.4 | 4.4 | 4.5 | – |

## SWISS CAPITAL METRICS

### Swiss regulatory capital and ratios

▸ Refer to "Swiss Requirements" in Regulatory capital framework for further information on Swiss regulatory requirements.

Swiss CET1 capital consists of BIS CET1 capital and certain Swiss regulatory adjustments. Swiss total eligible capital consists of Swiss CET1 capital, high-trigger capital instruments, low-trigger capital instruments, additional tier 1 and tier 2 instruments subject to phase-out and deductions from additional tier 1 and tier 2 capital.

As of the end of 2Q16, our Swiss CET1 capital and Swiss total capital ratios were 14.1% and 21.3%, respectively, compared to the Swiss capital ratio phase-in requirements of 8.12% and 14.55%, respectively.

On a look-through basis, our Swiss CET1 capital was CHF 31.9 billion and our Swiss CET1 ratio was 11.7% as of the end of 2Q16. Our Swiss total eligible capital was CHF 49.8 billion and our Swiss total capital ratio was 18.3% as of the end of 2Q16, each on a look-through basis.

## Swiss capital metrics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q16** | 1Q16 | 4Q15 | % change QoQ | **2Q16** | 1Q16 | 4Q15 | % change QoQ |
| **Capital development (CHF million)** | | | | | | | | |
| CET1 capital | 38,933 | 38,682 | 42,072 | 1 | 32,048 | 31,840 | 32,938 | 1 |
| Swiss regulatory adjustments [1] | (155) | (149) | (143) | 4 | (160) | (154) | (151) | 4 |
| **Swiss CET1 capital** | **38,778** | **38,533** | **41,929** | 1 | **31,888** | **31,686** | **32,787** | 1 |
| Additional tier 1 instruments | 5,768 | 5,679 | 6,562 | 2 | 5,768 | 5,679 | 6,562 | 2 |
| Tier 2 instruments | 2,649 | 2,620 | 2,682 | 1 | 2,649 | 2,620 | 2,682 | 1 |
| **High-trigger capital instruments** | **8,417** | **8,299** | **9,244** | 1 | **8,417** | **8,299** | **9,244** | 1 |
| Additional tier 1 instruments | 5,188 | 5,017 | 5,101 | 3 | 5,188 | 5,017 | 5,101 | 3 |
| Tier 2 instruments | 4,267 | 4,189 | 4,142 | 2 | 4,267 | 4,189 | 4,142 | 2 |
| **Low-trigger capital instruments** | **9,455** | **9,206** | **9,243** | 3 | **9,455** | **9,206** | **9,243** | 3 |
| Additional tier 1 and tier 2 instruments subject to phase-out | 4,930 | 4,810 | 5,586 | 2 | – | – | – | – |
| Deductions from additional tier 1 and tier 2 capital | (2,885) | (2,829) | (3,463) | 2 | – | – | – | – |
| **Swiss total eligible capital** | **58,695** | **58,019** | **62,539** | 1 | **49,760** | **49,191** | **51,274** | 1 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 275,056 | 283,937 | 294,950 | (3) | 271,455 | 280,382 | 289,946 | (3) |
| Swiss regulatory adjustments [2] | 706 | 778 | 908 | (9) | 705 | 778 | 907 | (9) |
| **Swiss risk-weighted assets** | **275,762** | **284,715** | **295,858** | (3) | **272,160** | **281,160** | **290,853** | (3) |
| **Swiss capital ratios (%)** | | | | | | | | |
| Swiss CET1 ratio | 14.1 | 13.5 | 14.2 | – | 11.7 | 11.3 | 11.3 | – |
| Swiss total capital ratio | 21.3 | 20.4 | 21.1 | – | 18.3 | 17.5 | 17.6 | – |

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Primarily includes differences in the credit risk multiplier.

The following table presents the Swiss Requirements for each of the relevant capital components and discloses our current capital metrics against those requirements.

## Swiss capital requirements and coverage – Group

| | | | | | Group |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2Q16 |
| **Risk-weighted assets (CHF billion)** | | | | | |
| Swiss risk-weighted assets | – | – | – | – | **275.8** |
| **2016 Swiss capital requirements** [1] | | | | | |
| Minimum Swiss capital ratio | 4.50% | 6.25% [2] | 3.80% | – | **14.55%** |
| Minimum Swiss capital (CHF billion) | 12.4 | 17.2 | 10.5 | – | **40.1** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 12.4 | 10.0 | – | 16.4 | **38.8** |
| High-trigger capital instruments | – | 7.2 | 1.0 | 0.1 | **8.4** |
| Low-trigger capital instruments | – | – | 9.5 | – | **9.5** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.9 | **4.9** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.9) | **(2.9)** |
| **Swiss total eligible capital** | **12.4** | **17.2** | **10.5** | **18.6** | **58.7** |
| **Swiss capital ratios (%)** | | | | | |
| Swiss total capital ratio | 4.50% | 6.25% | 3.80% | 6.73% | **21.28%** |

Rounding differences may occur.
[1] The Swiss capital requirements are based on a percentage of RWA.
[2] Excludes the countercyclical buffer that was required as of September 30, 2013. As of the end of 2Q16, the countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 393 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

### SWISS LEVERAGE METRICS

The leverage exposure used in the Swiss leverage ratio is measured on the same period-end basis as the leverage exposure for the BIS leverage ratio.

The Swiss leverage ratio is calculated as Swiss total eligible capital, including high- and low-trigger capital instruments, divided by leverage exposure.

As of the end of 2Q16, our Swiss leverage ratio was 6.0% compared to a requirement of 3.49%.

The Group's look-through Swiss leverage ratio was 5.1% as of the end of 2Q16, compared to the current 4.34% requirement effective 2019, reflecting our progressive component requirement for 2016.

## Swiss leverage metrics – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | 2Q16 | 1Q16 | 4Q15 | % change QoQ | 2Q16 | 1Q16 | 4Q15 | % change QoQ |
| **Swiss leverage metrics (CHF million, except where indicated)** | | | | | | | | |
| Swiss total eligible capital | 58,695 | 58,019 | 62,539 | 1 | 49,760 | 49,191 | 51,274 | 1 |
| Leverage exposure | 970,757 | 973,711 | 993,506 | – | 966,548 | 969,541 | 987,628 | 0 |
| Swiss leverage ratio (%) | 6.0 | 6.0 | 6.3 | – | 5.1 | 5.1 | 5.2 | – |

The following table presents the Swiss Requirements relating to each of the relevant capital components and discloses our current leverage metrics against those requirements.

## Swiss leverage requirements and coverage – Group

| | | | | | Group |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2Q16 |
| **Exposure (CHF billion)** | | | | | |
| Leverage exposure | – | – | – | – | **970.8** |
| **2016 Swiss leverage requirements** | | | | | |
| Minimum Swiss leverage ratio | 1.08% | 1.50% | 0.91% | – | **3.49%** |
| Minimum Swiss capital (CHF billion) | 10.5 | 14.6 | 8.9 | – | **33.9** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 10.5 | 8.4 | – | 19.8 | **38.8** |
| High-trigger capital instruments | – | 6.1 | – | 2.3 | **8.4** |
| Low-trigger capital instruments | – | – | 8.9 | 0.6 | **9.5** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.9 | **4.9** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.9) | **(2.9)** |
| **Swiss total eligible capital** | **10.5** | **14.6** | **8.9** | **24.8** | **58.7** |
| **Swiss leverage ratio (%)** | | | | | |
| Swiss leverage ratio | 1.08% | 1.50% | 0.91% | 2.55% | **6.05%** |

Rounding differences may occur.

## BANK REGULATORY DISCLOSURES

The following capital, RWA and leverage disclosures apply to the Bank. The business of the Bank is substantially the same as that of the Group, including business drivers and trends relating to capital, RWA and leverage metrics.

### BIS capital and leverage metrics – Bank

▸ Refer to "BIS capital metrics", "Risk-weighted assets" and "Leverage metrics" for further information.

## BIS capital metrics – Bank

| | | | | Phase-in |
|---|---|---|---|---|
| end of | 2Q16 | 1Q16 | 4Q15 | % change QoQ |
| **Capital and risk-weighted assets (CHF million)** | | | | |
| CET1 capital | 37,164 | 37,202 | 40,013 | 0 |
| Tier 1 capital | 47,497 | 47,236 | 50,570 | 1 |
| Total eligible capital | 56,619 | 56,233 | 60,242 | 1 |
| Risk-weighted assets | 267,502 | 276,737 | 286,947 | (3) |
| **Capital ratios (%)** | | | | |
| CET1 ratio | 13.9 | 13.4 | 13.9 | – |
| Tier 1 ratio | 17.8 | 17.1 | 17.6 | – |
| Total capital ratio | 21.2 | 20.3 | 21.0 | – |

## Eligible capital and risk-weighted assets – Bank

| end of | 2Q16 | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Eligible capital (CHF million)** | | | | |
| **Total shareholder's equity** | **43,997** | **43,789** | **43,406** | 0 |
| Regulatory adjustments [1] | (313) | (156) | (5) | 101 |
| Adjustments subject to phase-in | (6,520) [2] | (6,431) | (3,388) | 1 |
| **CET1 capital** | **37,164** | **37,202** | **40,013** | 0 |
| Additional tier 1 instruments | 10,098 [3] | 9,855 | 10,805 | 2 |
| Additional tier 1 instruments subject to phase-out [4] | 2,672 | 2,579 | 2,616 | 4 |
| Deductions from additional tier 1 capital | (2,437) [5] | (2,400) | (2,864) | 2 |
| **Additional tier 1 capital** | **10,333** | **10,034** | **10,557** | 3 |
| **Tier 1 capital** | **47,497** | **47,236** | **50,570** | 1 |
| Tier 2 instruments | 6,962 [6] | 6,852 | 6,865 | 2 |
| Tier 2 instruments subject to phase-out | 2,257 | 2,231 | 2,970 | 1 |
| Deductions from tier 2 capital | (97) | (86) | (163) | 13 |
| **Tier 2 capital** | **9,122** | **8,997** | **9,672** | 1 |
| **Total eligible capital** | **56,619** | **56,233** | **60,242** | 1 |
| **Risk-weighted assets by risk type (CHF million)** | | | | |
| Credit risk | 175,221 | 178,194 | 185,574 | (2) |
| Market risk | 21,602 | 27,018 | 29,755 | (20) |
| Operational risk | 65,509 | 66,438 | 66,438 | (1) |
| Non-counterparty risk | 5,170 | 5,087 | 5,180 | 2 |
| **Risk-weighted assets** | **267,502** | **276,737** | **286,947** | (3) |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Primarily reflects 60% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets.
[3] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 5.8 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.3 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
[4] Includes hybrid capital instruments that are subject to phase-out.
[5] Includes 40% of goodwill and other intangible assets (CHF 1.6 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
[6] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.3 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## Leverage exposure components – Bank

| end of | 2Q16 | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Leverage exposure (CHF million)** | | | | |
| **Balance sheet assets** | **804,003** | **796,661** | **803,931** | 1 |
| **Adjustments** | | | | |
| Difference in scope of consolidation and tier 1 capital deductions [1] | (12,877) | (13,691) | (13,059) | (6) |
| Derivative financial instruments | 95,821 | 100,504 | 104,604 | (5) |
| Securities financing transactions | (15,712) | (14,023) | (16,215) | 12 |
| Off-balance sheet exposures | 79,918 | 84,662 | 94,312 | (6) |
| **Total adjustments** | **147,150** | **157,452** | **169,642** | (7) |
| **Leverage exposure** | **951,153** | **954,113** | **973,573** | 0 |

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

## BIS leverage metrics – Bank

| end of | 2Q16 | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Capital (CHF million)** | | | | |
| CET1 capital | 37,164 | 37,202 | 40,013 | 0 |
| Tier 1 capital | 47,497 | 47,236 | 50,570 | 1 |
| **Leverage exposure (CHF million)** | | | | |
| Leverage exposure | 951,153 | 954,113 | 973,573 | 0 |
| **Leverage ratios (%)** | | | | |
| CET1 leverage ratio | 3.9 | 3.9 | 4.1 | – |
| Tier 1 leverage ratio | 5.0 | 5.0 | 5.2 | – |

### Swiss capital and leverage metrics – Bank

▸ Refer to "Swiss capital metrics" and "Swiss leverage metrics" for further information.

## Swiss capital and leverage metrics – Bank

| end of | 2Q16 | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Capital development (CHF million)** | | | | |
| CET1 capital | 37,164 | 37,202 | 40,013 | 0 |
| Swiss regulatory adjustments [1] | (125) | (119) | (117) | 5 |
| **Swiss CET1 capital** | **37,039** | **37,083** | **39,896** | 0 |
| High-trigger capital instruments | 8,540 [2] | 8,415 | 9,350 | 1 |
| Low-trigger capital instruments | 8,520 [3] | 8,292 | 8,320 | 3 |
| Additional tier 1 and tier 2 instruments subject to phase-out | 4,930 | 4,810 | 5,586 | 2 |
| Deductions from additional tier 1 and tier 2 capital | (2,534) | (2,486) | (3,027) | 2 |
| **Swiss total eligible capital** | **56,495** | **56,114** | **60,125** | 1 |
| **Risk-weighted assets (CHF million)** | | | | |
| Risk-weighted assets – Basel III | 267,502 | 276,737 | 286,947 | (3) |
| Swiss regulatory adjustments [4] | 710 | 779 | 909 | (9) |
| **Swiss risk-weighted assets** | **268,212** | **277,516** | **287,856** | (3) |
| **Leverage exposure (CHF million)** | | | | |
| **Leverage exposure** | **951,153** | **954,113** | **973,573** | 0 |
| **Swiss capital and leverage ratios (%)** | | | | |
| Swiss CET1 ratio | 13.8 | 13.4 | 13.9 | – |
| Swiss total capital ratio | 21.1 | 20.2 | 20.9 | – |
| Swiss leverage ratio | 5.9 | 5.9 | 6.2 | – |

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Consists of CHF 5.8 billion additional tier 1 instruments and CHF 2.7 billion tier 2 instruments.
[3] Consists of CHF 4.3 billion additional tier 1 instruments and CHF 4.3 billion tier 2 instruments.
[4] Primarily includes differences in the credit risk multiplier.

## Swiss capital requirements and coverage – Bank

| | | | | | Bank |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2Q16 |
| **Risk-weighted assets (CHF billion)** | | | | | |
| Swiss risk-weighted assets | – | – | – | – | **268.2** |
| **2016 Swiss capital requirements** [1] | | | | | |
| Minimum Swiss capital ratio | 4.50% | 6.25% [2] | 3.80% | – | **14.55%** |
| Minimum Swiss capital (CHF billion) | 12.1 | 16.8 | 10.2 | – | **39.0** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 12.1 | 9.9 | – | 15.1 | **37.0** |
| High-trigger capital instruments | – | 6.9 | 1.7 | – | **8.5** |
| Low-trigger capital instruments | – | – | 8.5 | – | **8.5** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.9 | **4.9** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.5) | **(2.5)** |
| **Swiss total eligible capital** | **12.1** | **16.8** | **10.2** | **17.5** | **56.5** |
| **Swiss capital ratio (%)** | | | | | |
| Swiss total capital ratio | 4.50% | 6.25% | 3.80% | 6.51% | **21.06%** |

Rounding differences may occur.
[1] The Swiss capital requirements are based on a percentage of RWA.
[2] Excludes the countercyclical buffer that was required as of September 30, 2013. As of the end of 2Q16, the countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 320 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

## Swiss leverage requirements and coverage – Bank

| | | | | | Bank |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2Q16 |
| **Exposure (CHF billion)** | | | | | |
| Leverage exposure | – | – | – | – | **951.2** |
| **2016 Swiss leverage requirements** | | | | | |
| Minimum Swiss leverage ratio | 1.08% | 1.50% | 0.91% | – | **3.49%** |
| Minimum Swiss capital (CHF billion) | 10.3 | 14.3 | 8.7 | – | **33.2** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 10.3 | 8.3 | – | 18.5 | **37.0** |
| High-trigger capital instruments | – | 6.0 | 0.2 | 2.4 | **8.5** |
| Low-trigger capital instruments | – | – | 8.5 | – | **8.5** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.9 | **4.9** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.5) | **(2.5)** |
| **Swiss total eligible capital** | **10.3** | **14.3** | **8.7** | **23.3** | **56.5** |
| **Swiss leverage ratio (%)** | | | | | |
| Swiss leverage ratio | 1.08% | 1.50% | 0.91% | 2.45% | **5.94%** |

Rounding differences may occur.

### OTHER REGULATORY DISCLOSURES

In connection with the implementation of Basel III, certain regulatory disclosures for the Group, the Bank, the Bank parent company and Credit Suisse International are required. Additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base of the Group, G-SIB financial indicators, subsidiary regulatory reporting, reconciliation requirements, Pillar 3 disclosures, leverage ratios and certain liquidity disclosures can be found on our website.

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

## SHAREHOLDERS' EQUITY AND SHARE METRICS

### Total shareholders' equity

Our total shareholders' equity remained stable at CHF 45.0 billion as of the end of 2Q16 compared to the end of 1Q16. Total shareholders' equity was positively impacted by foreign exchange-related movements on cumulative translation adjustments, the issuance of common shares in connection with earn-out payments relating to our acquisition of our interest in York, an increase in the share-based compensation obligation and net income attributable to shareholders. These movements were partially offset by transactions relating to the settlement of share-based compensation awards and dividends paid.

▸ Refer to the "Consolidated statements of changes in equity (unaudited)" in III – Condensed consolidated financial statements – unaudited for further information on shareholders' equity.

### Shareholders' equity and share metrics

| | | | | % change |
|---|---|---|---|---|
| End of | **2Q16** | 1Q16 | 4Q15 | QoQ |
| **Shareholders' equity (CHF million)** | | | | |
| Common shares | 84 | 78 | 78 | 8 |
| Additional paid-in capital | 31,702 | 32,318 | 31,925 | (2) |
| Retained earnings | 28,532 | 28,362 | 29,139 | 1 |
| Treasury shares, at cost | (94) | (158) | (125) | (41) |
| Accumulated other comprehensive loss | (15,262) | (15,603) | (16,635) | (2) |
| **Total shareholders' equity** | **44,962** | **44,997** | **44,382** | 0 |
| Goodwill | (4,745) | (4,688) | (4,808) | 1 |
| Other intangible assets | (191) | (186) | (196) | 3 |
| **Tangible shareholders' equity** [1] | **40,026** | **40,123** | **39,378** | 0 |
| **Shares outstanding (million)** | | | | |
| Common shares issued | 2,089.9 | 1,957.4 | 1,957.4 | 7 |
| Treasury shares | (8.5) | (11.0) | (5.9) | (23) |
| **Shares outstanding** | **2,081.4** | **1,946.4** | **1,951.5** | 7 |
| **Par value (CHF)** | | | | |
| **Par value** | **0.04** | **0.04** | **0.04** | 0 |
| **Book value per share (CHF)** | | | | |
| **Total book value per share** | **21.60** | **23.12** | **22.74** | (7) |
| Goodwill per share | (2.28) | (2.41) | (2.46) | (5) |
| Other intangible assets per share | (0.09) | (0.10) | (0.10) | (10) |
| **Tangible book value per share** [1] | **19.23** | **20.61** | **20.18** | (7) |

[1] Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

# Risk management

In 2Q16, our available economic capital was stable, economic risk capital decreased 1%, overall position risk was stable and average risk management VaR in US dollars decreased 26%. Gross impaired loans increased CHF 92 million to CHF 2.3 billion on a gross loan portfolio of CHF 274.8 billion.

## OVERVIEW AND RISK-RELATED DEVELOPMENTS

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Our risk management framework is based on transparency, management accountability and independent oversight.

▸ Refer to "Key risk developments", "Risk management oversight", "Risk appetite framework" and "Risk coverage and management" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2015 for further information and additional details of our current risk management framework and activities, including definitions of certain terms and relevant metrics.

### UK referendum

On June 23, 2016, voters in the UK voted to leave the European Union in a non-binding referendum. This caused significant volatility in the financial markets, including substantial declines in global stock prices and a steep devaluation of the British pound, as well as a political crisis in the UK. Among the significant global implications of the referendum is the increased uncertainty concerning a potentially more persistent and widespread imposition by central banks of negative interest rate policies. The Bank of Japan, the European Central Bank and several other monetary authorities in Europe have already introduced negative interest rates to address deflationary concerns and to prevent appreciation of their respective currencies. Going forward, it is possible the Fed may postpone a hike in interest rates, while the Bank of England may ease its monetary policy over the coming months to mitigate any potential slowdown in the UK economy.

We have been and continue monitoring developments closely and conducting various scenario analyses designed to capture factors, such as possible impacts of the referendum on UK gross domestic product, the British pound and negative interest rates to assess the potential effects on our earnings and capital position. We consider the immediate overall impact on Credit Suisse to have been manageable during this period from an exposure, earnings and liquidity perspective. We implemented a number of precautionary measures to ensure operational and infrastructure stability over the period around the referendum. In particular, we experienced substantial trading volumes in the days following the result of the referendum; however, we suffered no significant operational issues due to our active management of these volume increases.

## ECONOMIC RISK CAPITAL REVIEW

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.

Economic risk capital measures risks in terms of economic realities rather than regulatory or accounting rules and estimates the amount of capital needed to remain solvent and in business under extreme market, business and operating conditions over the period of one year, given our target financial strength (our long-term credit rating). Economic risk capital is set to a level needed to absorb unexpected losses at a confidence level of 99.97%. Our economic risk capital model is a set of methodologies used for measuring quantifiable risks associated with our business activities on a consistent basis. It is calculated separately for position risk (reflecting our exposure to market and credit risks), operational risk and other risks.

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In the event of methodology changes and dataset and model parameter updates, prior-period balances are restated in order to show meaningful trends.

▸ Refer to "Economic risk capital" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on economic risk capital and position risk.

In 2Q16, we have updated the divisional economic risk capital models and restated divisional economic risk capital to reflect the impact of the accelerated restructuring of the Global Markets business announced on March 23, 2016. We also enhanced the position risk methodology for risk management purposes. We modified the parameters we use in the modeling of our international lending & counterparty exposures to be more granular with respect to transaction ratings relating to regions, industries and products and updated the aggregation approach between international lending exposure and counterparty exposure. The net impact of these methodology enhancements on position risk for the Group as of the end of 1Q16 was a decrease of CHF 313 million, or 2.7%.

For economic risk capital used for capital management purposes, there were no further methodology changes in 2Q16. The net impact of the above methodology enhancements in position risk for the Group on economic risk capital used for capital

management purposes as of the end of 1Q16 was a decrease of CHF 480 million, or 1.4%.

### Available economic capital trends

As of the end of 2Q16, our available economic capital for the Group was CHF 49.1 billion, a decrease of CHF 0.2 billion from the end of 1Q16. BIS look-through CET1 capital increased CHF 0.2 billion, mainly reflecting the issuance of common shares, a positive foreign exchange impact and net income attributable to shareholders for the period, partially offset by the net effect of share-based compensation. Economic adjustments decreased CHF 0.2 billion, mainly reflecting the release of dividend accruals with the payment of the 2015 dividend and the improved funding status of our US pension plan, partially offset by increased adjustments for low-trigger capital notes mainly due to a positive foreign exchange impact.

## Economic risk capital

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 4Q15 | QoQ | Ytd |
| **Available economic capital (CHF million)** | | | | | |
| BIS look-through CET1 capital (Basel III) | 32,048 | 31,840 | 32,938 | 1 | (3) |
| Economic adjustments [1] | 17,023 | 17,421 | 17,284 | (2) | (2) |
| **Available economic capital** | **49,071** | **49,261** | **50,222** | 0 | (2) |
| **Economic risk capital (CHF million)** | | | | | |
| Position risk (99.97% confidence level) | 20,314 | 20,134 | 22,375 | 1 | (9) |
| Operational risk | 7,405 | 7,501 | 7,501 | (1) | (1) |
| Other risks [2] | 6,566 | 7,114 | 6,031 | (8) | 9 |
| **Economic risk capital** | **34,285** | **34,749** | **35,907** | (1) | (5) |
| **Economic risk capital coverage ratio (%) [3]** | | | | | |
| **Economic risk capital coverage ratio** | **143** | **142** | **140** | – | – |
| **Economic risk capital by division (CHF million)** | | | | | |
| Swiss Universal Bank | 5,561 | 5,499 | 5,233 | 1 | 6 |
| International Wealth Management | 3,780 | 3,723 | 3,469 | 2 | 9 |
| Asia Pacific | 4,238 | 3,908 | 3,684 | 8 | 15 |
| Global Markets | 9,857 | 9,991 | 11,733 | (1) | (16) |
| Investment Banking & Capital Markets | 4,579 | 4,554 | 4,068 | 1 | 13 |
| Strategic Resolution Unit | 5,243 | 6,099 | 7,084 | (14) | (26) |
| Corporate Center [4] | 1,122 | 1,195 | 764 | (6) | 47 |
| **Economic risk capital – Group [5]** | **34,285** | **34,749** | **35,907** | (1) | (5) |
| **Average economic risk capital by division (CHF million)** | | | | | |
| Swiss Universal Bank | 5,530 | 5,366 | 5,123 | 3 | 8 |
| International Wealth Management | 3,751 | 3,596 | 3,364 | 4 | 12 |
| Asia Pacific | 4,073 | 3,796 | 3,582 | 7 | 14 |
| Global Markets | 9,924 | 10,862 | 12,314 | (9) | (19) |
| Investment Banking & Capital Markets | 4,567 | 4,311 | 4,032 | 6 | 13 |
| Strategic Resolution Unit | 5,671 | 6,591 | 6,723 | (14) | (16) |
| Corporate Center [4] | 1,159 | 979 | 750 | 18 | 55 |
| **Average economic risk capital – Group [6]** | **34,517** | **35,328** | **35,762** | (2) | (3) |

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends. The calculation of divisional economic risk capital under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

[1] Includes primarily high- and low-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to BIS look-through CET1 capital to enable comparison between economic risk capital and available economic capital under the Basel III framework.

[2] Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between available economic capital and economic risk capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain planned methodology changes.

[3] Ratio of available economic capital to economic risk capital.

[4] Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between available economic capital and economic risk capital.

[5] Includes a diversification benefit of CHF 95 million, CHF 220 million and CHF 128 million as of the end of 2Q16, 1Q16 and 4Q15, respectively.

[6] Includes a diversification benefit of CHF 158 million, CHF 173 million and CHF 126 million as of the end of 2Q16, 1Q16 and 4Q15, respectively.

### Economic risk capital trends

Compared to the end of 2015, our economic risk capital decreased CHF 1.6 billion, or 5%, to CHF 34.3 billion as of the end of 2Q16, driven by a 9% decrease in position risk in line with our risk reduction strategy. On a divisional level, economic risk capital decreased CHF 1.9 billion, or 16%, in Global Markets and CHF 1.8 billion, or 26%, in the Strategic Resolution Unit. These decreases were partially offset by increases of CHF 0.6 billion,

or 15%, in Asia Pacific, CHF 0.5 billion, or 13%, in Investment Banking & Capital Markets, CHF 0.3 billion, or 6%, in Swiss Universal Bank and CHF 0.3 billion, or 9%, in International Wealth Management.

Compared to the end of 1Q16, economic risk capital decreased CHF 0.5 million, or 1%. Excluding the US dollar translation impact, economic risk capital decreased 2%, mainly due to a decrease in other risks, partially offset by an increase in position risk. The decrease in other risks primarily reflected lower pension risk and a decrease in risks not included in the economic risk capital framework. Position risk changes mainly reflected higher emerging market country event risk from higher exposures in Latin America and higher private banking corporate & retail lending exposures, largely offset by reduced risk in equity trading & investments and real estate & structured assets and reduced counterparty risk in international lending & counterparty exposures.

For Swiss Universal Bank, economic risk capital increased 1% to CHF 5.6 billion from the end of 1Q16, mainly due to increased private banking corporate & retail lending exposures, partially offset by lower pension risk.

For International Wealth Management, economic risk capital increased 2% to CHF 3.8 billion from the end of 1Q16, mainly due to increased private banking corporate & retail lending and higher emerging market country event risk, partially offset by reduced international lending & counterparty exposures and lower pension risk.

For Asia Pacific, economic risk capital increased 8% to CHF 4.2 billion from the end of 1Q16. Excluding the US dollar translation impact, economic risk capital increased 7%, mainly due to higher international lending & counterparty exposures, partially offset by reduced derivatives exposures in equity trading & investments.

For Global Markets, economic risk capital decreased 1% to CHF 9.9 billion from the end of 1Q16. Excluding the US dollar translation impact, economic risk capital decreased 3%, primarily reflecting reduced CMBS exposures in real estate & structured assets and reduced counterparty risk in international lending & counterparty exposures, partially offset by higher emerging market country event risk from increased foreign exchange exposures in Latin America and increased expense risk.

For Investment Banking & Capital Markets, economic risk capital increased 1% to CHF 4.6 billion from the end of 1Q16. Excluding the US dollar translation impact, economic risk capital decreased 1%, mainly due to reduced counterparty risk in international lending & counterparty exposures and lower pension risk.

For the Strategic Resolution Unit, economic risk capital decreased 14% to CHF 5.2 billion from the end of 1Q16. Excluding the US dollar translation impact, economic risk capital decreased 15%, mainly due to lower risk in equity trading & investments, reduced counterparty risk in international lending & counterparty exposures, reduced expense risk and a decrease in risks not included in the economic risk capital framework.

## Position risk

| | | | end of | % change | |
|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 4Q15 | QoQ | Ytd |
| **Position risk (CHF million)** | | | | | |
| Fixed income trading [1] | 1,364 | 1,320 | 1,230 | 3 | 11 |
| Equity trading & investments | 1,538 | 1,725 | 1,872 | (11) | (18) |
| Private banking corporate & retail lending | 2,481 | 2,366 | 2,751 | 5 | (10) |
| International lending & counterparty exposures | 5,818 | 5,876 | 6,094 | (1) | (5) |
| Emerging markets country event risk | 1,525 | 1,174 | 1,544 | 30 | (1) |
| Real estate & structured assets [2] | 1,225 | 1,362 | 1,917 | (10) | (36) |
| **Simple sum across risk categories** | **13,951** | **13,823** | **15,408** | 1 | (9) |
| Diversification benefit [3] | (2,583) | (2,435) | (2,762) | 6 | (6) |
| **Position risk (99% confidence level for risk management purposes)** | **11,368** | **11,388** | **12,646** | 0 | (10) |
| **Position risk (99.97% confidence level for capital management purposes)** | **20,314** | **20,134** | **22,375** | 1 | (9) |

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends.

[1] This category comprises fixed income trading, foreign exchange, commodity and insurance exposures.

[2] This category comprises commercial and residential real estate (including RMBS and CMBS), asset-backed securities exposure, real estate acquired at auction and real estate fund investments.

[3] Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

### Key position risk trends

Compared to the end of 2015, our position risk decreased CHF 1.3 billion, or 10%, to CHF 11.4 billion as of the end of 2Q16.

Compared to the end of 1Q16, position risk for risk management purposes was stable. Excluding the US dollar translation impact, position risk decreased 2%, mainly due to reduced risk in equity trading & investments due to lower equity exposures from derivatives in Asia and in the US, decreased risk in real estate & structured assets related to reduced CMBS exposures and reduced counterparty risk in international lending & counterparty exposures. These reductions were partially offset by increased foreign exchange exposures in Latin America in emerging markets country event risk and higher private banking corporate & retail lending exposures in Switzerland.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

## MARKET RISK REVIEW

Market risk is the risk of financial loss arising from movements in market prices. Market risks arise from both our trading and non-trading business activities. The classification of assets into trading book and banking book portfolios determines the approach for analyzing our market risk exposure. Market risk in the trading book is measured using VaR and market risk in our banking book is measured using sensitivity analysis on related market factors.

▸ Refer to "Market risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on market risk including our VaR methodology.

### Trading book

Market risks from our trading book relate to our trading activities primarily in Global Markets, Asia Pacific and the Strategic Resolution Unit. We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products. Some of the structured products are customized transactions using combinations of derivatives and are executed to meet specific client or proprietary needs. As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

VaR is a risk measure which quantifies the potential loss on a given portfolio of financial instruments over a certain holding period that is expected to occur at a certain confidence level. VaR is an important tool in risk management and is used for measuring quantifiable risks from our activities exposed to market risk on a daily basis. In addition, VaR is one of the main risk measures for limit monitoring, financial reporting, calculation of regulatory capital and regulatory backtesting.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 2Q16, we improved the methodology we use to capture the difference between a traded credit index and its single-name CDS constituents and enhanced the recognition of credit spread risk by using a more specific corporate bond time series in the US and in Europe. The cumulative impact of these updates on our VaR measures was immaterial and prior periods have not been restated.

We continue to receive regulatory approval for ongoing enhancements to our VaR methodology used for the calculation of regulatory capital, and the model is subject to regular reviews by regulators.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at *www.credit-suisse.com/pillar3*.

The tables entitled "Average one-day, 98% risk management VaR by division" and "One-day, 98% risk management VaR" show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR in Swiss francs and US dollars. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The different risk types are grouped into five categories including interest rate, credit spread, foreign exchange, commodities and equity.

### Average one-day, 98% risk management VaR by division

| in | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Strategic Resolution Unit | Diversification benefit [1] | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **Average risk management VaR (CHF million)** | | | | | | | |
| 2Q16 | 4 | 1 | 16 | 28 | 15 | (31) | 33 |
| 1Q16 | 6 | 1 | 16 | 35 | 23 | (35) | 46 |
| 4Q15 | 6 | 1 | 18 | 45 | 29 | (48) | 51 |
| **Average risk management VaR (USD million)** | | | | | | | |
| 2Q16 | 4 | 1 | 17 | 28 | 15 | (31) | 34 |
| 1Q16 | 6 | 1 | 16 | 36 | 24 | (37) | 46 |
| 4Q15 | 6 | 1 | 18 | 46 | 29 | (49) | 51 |

Excludes risks associated with counterparty and own credit exposures. Investment Banking & Capital Markets has only banking book positions. The calculation of divisional average risk management VaR under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available. Prior periods for the divisions have been restated to reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.

[1] Difference between the sum of the standalone VaR for each division and the VaR for the Group.

## One-day, 98% risk management VaR

| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversification benefit | Total |
|---|---|---|---|---|---|---|---|
| **Risk management VaR (CHF million)** | | | | | | | |
| **2Q16** | | | | | | | |
| Average | 13 | 27 | 8 | 2 | 17 | (34) | 33 |
| Minimum | 9 | 21 | 6 | 2 | 11 | –[1] | 25 |
| Maximum | 16 | 34 | 12 | 3 | 23 | –[1] | 40 |
| End of period | 13 | 21 | 6 | 3 | 12 | (27) | 28 |
| **1Q16** | | | | | | | |
| Average | 15 | 39 | 11 | 2 | 24 | (45) | 46 |
| Minimum | 13 | 32 | 8 | 1 | 17 | –[1] | 35 |
| Maximum | 20 | 44 | 18 | 3 | 38 | –[1] | 65 |
| End of period | 13 | 33 | 8 | 2 | 18 | (36) | 38 |
| **4Q15** | | | | | | | |
| Average | 21 | 35 | 9 | 2 | 25 | (41) | 51 |
| Minimum | 13 | 33 | 6 | 1 | 17 | –[1] | 43 |
| Maximum | 35 | 42 | 12 | 3 | 35 | –[1] | 60 |
| End of period | 17 | 40 | 9 | 1 | 31 | (42) | 56 |
| **Risk management VaR (USD million)** | | | | | | | |
| **2Q16** | | | | | | | |
| Average | 14 | 28 | 8 | 2 | 17 | (35) | 34 |
| Minimum | 9 | 21 | 6 | 2 | 12 | –[1] | 26 |
| Maximum | 17 | 35 | 12 | 3 | 25 | –[1] | 42 |
| End of period | 13 | 22 | 7 | 3 | 12 | (29) | 28 |
| **1Q16** | | | | | | | |
| Average | 15 | 39 | 11 | 2 | 24 | (45) | 46 |
| Minimum | 13 | 33 | 8 | 1 | 18 | –[1] | 36 |
| Maximum | 20 | 44 | 18 | 3 | 38 | –[1] | 65 |
| End of period | 14 | 34 | 8 | 2 | 19 | (37) | 40 |
| **4Q15** | | | | | | | |
| Average | 22 | 35 | 9 | 2 | 25 | (42) | 51 |
| Minimum | 13 | 32 | 6 | 1 | 18 | –[1] | 44 |
| Maximum | 35 | 42 | 12 | 3 | 35 | –[1] | 61 |
| End of period | 17 | 40 | 9 | 1 | 32 | (42) | 57 |

Excludes risks associated with counterparty and own credit exposures.
[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

We measure VaR in US dollars, as a majority of our trading activities are conducted in US dollars.

Average risk management VaR decreased 26% to USD 34 million from 1Q16, mainly driven by lower credit spread risk, reflecting reduced exposures in distressed credit products across credit markets and RMBS and CMBS in the US and in Europe, as well as reduced equity exposures from derivatives in Asia. For the Strategic Resolution Unit, average risk management VaR decreased mainly due to reduced exposures in distressed credit products across credit markets. For Global Markets, the decrease in average risk management VaR was mainly driven by reduced exposures in distressed credit products and RMBS and CMBS in the US and in Europe. For Asia Pacific, the increase in average risk management VaR was primarily driven by increased interest rate exposures in Japan.

Period-end risk management VaR decreased 30% to USD 28 million from 1Q16, mainly driven by lower credit spread risk, reflecting reduced exposures in distressed credit products across credit markets and RMBS and CMBS in the US and in Europe, as well as reduced equity exposures from derivatives in Asia.

The chart entitled “Daily risk management VaR” shows the aggregated market risk in our trading book on a consolidated basis.

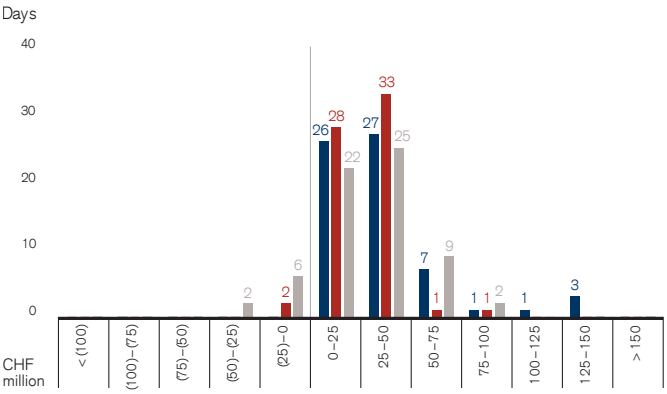
## Daily risk management VaR (rolling four quarters)




— One-day risk management VaR (98%)
Excludes risks associated with counterparty and own credit exposures.

The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 2Q16 with those for 1Q16 and 4Q15. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. We had no trading loss days in 2Q16, compared to two trading loss days in 1Q16 and eight trading loss days in 4Q15.

## Actual daily trading revenues




■ 2Q16 ■ 1Q16 ■ 4Q15
Trading revenues exclude Neue Aargauer Bank AG and valuation adjustments associated with counterparty and own credit exposures.

### VaR backtesting

Various techniques are used to assess the accuracy of the VaR methodology used for risk management and regulatory capital purposes. Backtesting is used to assess the accuracy of the regulatory VaR model. The purpose of the VaR backtesting process is to assess the accuracy and performance of our regulatory VaR model, to assess if our regulatory capital is sufficient to absorb actual losses, and to encourage developments to our VaR model. Backtesting involves comparing the results produced from the VaR model with the actual daily trading revenues and with a subset of the actual daily trading revenues for capital purposes. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period calculated using the subset of the actual daily trading revenues. In the rolling 12-month period through the end of 2Q16, we had three backtesting exceptions in our regulatory VaR model calculated using the subset of actual daily trading revenues. Since there were fewer than five backtesting exceptions in the rolling 12-month period through the end of 2Q16, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

▸ Refer to "Market risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on VaR backtesting.

▸ Refer to "Risk measurement models" in Capital management – Regulatory capital framework for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

### Banking book

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

Interest rate risk on banking book positions is measured by estimating the impact resulting from a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions. The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions would have been an increase of CHF 4.5 million as of the end of 2Q16, compared to an increase of CHF 3.2 million as of the end of 1Q16.

## CREDIT RISK REVIEW

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management. The majority of our credit risk is concentrated in the private banking, corporate and institutional businesses and in the investment banking businesses.

▸ Refer to "Credit risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on credit risk.

▸ Refer to "Credit risk review" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results in the Credit Suisse Annual Report 2015 for further information on credit risk measures.

▸ Refer to "Note 17 – Loans, allowance for loan losses and credit quality" in III – Condensed consolidated financial statements – unaudited for further information on loans and impaired loans.

▸ Refer to "Note 29 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information on counterparty credit risk.

## Loans

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | |
| Mortgages | 98,776 | 4,156 | 1,137 | 0 | 0 | 325 | 104,394 |
| Loans collateralized by securities | 7,160 | 16,898 | 11,808 | 0 | 293 | 226 | 36,385 |
| Consumer finance | 3,039 | 555 | 48 | 22 | 0 | 93 | 3,757 |
| Consumer | 108,975 | 21,609 | 12,993 | 22 | 293 | 644 | 144,536 |
| Real estate | 24,203 | 1,045 | 257 | 233 | 326 | 143 | 26,218 |
| Commercial and industrial loans | 27,202 | 18,055 | 22,091 | 4,639 | 4,764 | 4,416 | 81,240 |
| Financial institutions | 3,991 | 2,306 | 1,536 | 4,452 | 340 | 6,185 | 18,924 |
| Governments and public institutions | 763 | 214 | 985 | 772 | 0 | 1,194 | 3,928 |
| Corporate & institutional | 56,159 [2] | 21,620 [3] | 24,869 | 10,096 | 5,430 | 11,938 | 130,310 |
| **Gross loans** | **165,134** | **43,229** | **37,862** | **10,118** | **5,723** | **12,582** | **274,846** |
| of which held at fair value | 30 | 683 | 5,558 | 6,053 | 2,746 | 5,761 | 20,831 |
| Net (unearned income) / deferred expenses | (3) | (81) | (20) | (9) | (5) | (30) | (148) |
| Allowance for loan losses [4] | (470) | (89) | (29) | (31) | (22) | (222) | (863) |
| **Net loans** | **164,661** | **43,059** | **37,813** | **10,078** | **5,696** | **12,330** | **273,835** |
| **1Q16 (CHF million)** | | | | | | | |
| Mortgages | 98,005 | 4,270 | 1,060 | 0 | 0 | 260 | 103,595 |
| Loans collateralized by securities | 6,977 | 16,215 | 10,705 | 0 | 522 | 649 | 35,068 |
| Consumer finance | 2,898 | 524 | 19 | 26 | 0 | 108 | 3,575 |
| Consumer | 107,880 | 21,009 | 11,784 | 26 | 522 | 1,017 | 142,238 |
| Real estate | 24,314 | 988 | 280 | 664 | 389 | 147 | 26,793 |
| Commercial and industrial loans | 26,310 | 16,765 | 20,970 | 4,560 | 4,145 | 4,805 | 77,627 |
| Financial institutions | 4,107 | 1,373 | 1,456 | 6,629 | 1,250 | 5,774 | 20,672 |
| Governments and public institutions | 783 | 211 | 955 | 761 | 0 | 1,330 | 4,040 |
| Corporate & institutional | 55,514 [2] | 19,337 [3] | 23,661 | 12,614 | 5,784 | 12,056 | 129,132 |
| **Gross loans** | **163,394** | **40,346** | **35,445** | **12,640** | **6,306** | **13,073** | **271,370** |
| of which held at fair value | 185 | 194 | 4,875 | 7,194 | 3,107 | 5,966 | 21,521 |
| Net (unearned income) / deferred expenses | 21 | (103) | (32) | (14) | (6) | (26) | (160) |
| Allowance for loan losses [4] | (474) | (72) | (29) | (40) | (23) | (324) | (962) |
| **Net loans** | **162,941** | **40,171** | **35,384** | **12,586** | **6,277** | **12,723** | **270,248** |
| **4Q15 (CHF million)** | | | | | | | |
| Mortgages | 97,529 | 4,080 | 1,039 | 0 | 0 | 516 | 103,164 |
| Loans collateralized by securities | 7,799 | 16,748 | 11,184 | 0 | 554 | 1,661 | 37,946 |
| Consumer finance | 2,971 | 434 | 29 | 28 | 1 | 303 | 3,766 |
| Consumer | 108,299 | 21,262 | 12,252 | 28 | 555 | 2,480 | 144,876 |
| Real estate | 23,499 | 877 | 321 | 659 | 482 | 601 | 26,451 |
| Commercial and industrial loans | 26,549 | 16,627 | 21,220 | 5,061 | 3,056 | 5,185 | 77,767 |
| Financial institutions | 4,031 | 1,393 | 1,606 | 7,306 | 1,199 | 5,756 | 21,334 |
| Governments and public institutions | 831 | 82 | 585 | 694 | 0 | 1,386 | 3,578 |
| Corporate & institutional | 54,910 [2] | 18,979 [3] | 23,732 | 13,720 | 4,737 | 12,928 | 129,130 |
| **Gross loans** | **163,209** | **40,241** | **35,984** | **13,748** | **5,292** | **15,408** | **274,006** |
| of which held at fair value | 81 | 202 | 4,724 | 7,329 | 2,298 | 6,186 | 20,820 |
| Net (unearned income) / deferred expenses | 7 | (82) | (29) | (13) | (6) | (22) | (145) |
| Allowance for loan losses [4] | (499) | (75) | (50) | (35) | (6) | (201) | (866) |
| **Net loans** | **162,717** | **40,084** | **35,905** | **13,700** | **5,280** | **15,185** | **272,995** |

Prior periods for the divisions have been restated and reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.

[1] Includes the Corporate Center, in addition to the divisions disclosed.

[2] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 43,920 million, CHF 42,879 million and CHF 42,816 million as of the end of 2Q16, 1Q16 and 4Q15, respectively.

[3] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 17,454 million, CHF 16,610 million and CHF 16,862 million as of the end of 2Q16, 1Q16 and 4Q15, respectively.

[4] Allowance for loan losses are only based on loans which are not carried at fair value.

### Loans

Compared to the end of 1Q16, gross loans increased CHF 3.5 billion to CHF 274.8 billion as of the end of 2Q16, mainly driven by higher commercial and industrial loans, higher loans collateralized by securities and higher residential mortgages, partially offset by lower loans to financial institutions and lower loans to the real estate sector. The net increase of CHF 3.6 billion in commercial and industrial loans was driven by International Wealth Management, Asia Pacific, Swiss Universal Bank and Investment Banking & Capital Markets, partially offset by the Strategic Resolution Unit. The net increase of CHF 1.3 billion in loans collateralized by securities was driven by Asia Pacific and International Wealth Management, partially offset by the Strategic Resolution Unit and Investment Banking & Capital Markets. Residential mortgages increased CHF 0.8 billion, primarily in Swiss Universal Bank. Loans to financial institutions decreased CHF 1.7 billion, primarily in Global Markets and Investment Banking & Capital Markets, partially offset by International Wealth Management and the Strategic Resolution Unit. Loans to the real estate sector decreased CHF 0.6 billion, primarily in Global Markets. The US dollar translation impact on gross loans was positive across all divisions.

On a divisional level, increases in gross loans of CHF 2.9 billion in International Wealth Management, CHF 2.4 billion in Asia Pacific and CHF 1.7 billion in Swiss Universal Bank were partially offset by decreases of CHF 2.5 billion in Global Markets, CHF 0.6 billion in Investment Banking & Capital Markets and CHF 0.5 billion in the Strategic Resolution Unit.

## Impaired loans

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | |
| Non-performing loans | 429 | 229 | 183 | 8 | 0 | 577 | 1,426 |
| Non-interest-earning loans | 174 | 16 | 2 | 0 | 0 | 12 | 204 |
| Non-performing and non-interest-earning loans | 603 | 245 | 185 | 8 | 0 | 589 | 1,630 |
| Restructured loans | 34 | 86 | 16 | 0 | 0 | 121 | 257 |
| Potential problem loans | 157 | 37 | 4 | 9 | 0 | 210 | 417 |
| Other impaired loans | 191 | 123 | 20 | 9 | 0 | 331 | 674 |
| **Gross impaired loans** [2] | **794** | **368** | **205** | **17** | **0** | **920** | **2,304** |
| of which loans with a specific allowance | 696 | 180 | 183 | 17 | 0 | 675 | 1,751 |
| of which loans without a specific allowance | 98 | 188 | 22 | 0 | 0 | 245 | 553 |
| **1Q16 (CHF million)** | | | | | | | |
| Non-performing loans | 413 | 162 | 174 | 15 | 3 | 279 | 1,046 |
| Non-interest-earning loans | 165 | 30 | 2 | 0 | 0 | 36 | 233 |
| Total non-performing and non-interest-earning loans | 578 | 192 | 176 | 15 | 3 | 315 | 1,279 |
| Restructured loans | 38 | 49 | 9 | 0 | 0 | 192 | 288 |
| Potential problem loans | 141 | 88 | 8 | 8 | 0 | 400 | 645 |
| Total other impaired loans | 179 | 137 | 17 | 8 | 0 | 592 | 933 |
| **Gross impaired loans** [2] | **757** | **329** | **193** | **23** | **3** | **907** | **2,212** |
| of which loans with a specific allowance | 679 | 144 | 174 | 23 | 3 | 825 | 1,848 |
| of which loans without a specific allowance | 78 | 185 | 19 | 0 | 0 | 82 | 364 |
| **4Q15 (CHF million)** | | | | | | | |
| Non-performing loans | 414 | 94 | 205 | 26 | 2 | 242 | 983 |
| Non-interest-earning loans | 201 | 33 | 3 | 0 | 0 | 35 | 272 |
| Non-performing and non-interest-earning loans | 615 | 127 | 208 | 26 | 2 | 277 | 1,255 |
| Restructured loans | 44 | 52 | 10 | 0 | 0 | 176 | 282 |
| Potential problem loans | 136 | 73 | 11 | 9 | 0 | 207 | 436 |
| Other impaired loans | 180 | 125 | 21 | 9 | 0 | 383 | 718 |
| **Gross impaired loans** [2] | **795** | **252** | **229** | **35** | **2** | **660** | **1,973** |
| of which loans with a specific allowance | 729 | 148 | 227 | 35 | 2 | 469 | 1,610 |
| of which loans without a specific allowance | 66 | 104 | 2 | 0 | 0 | 191 | 363 |

Prior periods for the divisions have been restated and reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.
[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] Impaired loans are only based on loans which are not carried at fair value.

### Impaired loans

Compared to the end of 1Q16, gross impaired loans increased CHF 92 million to CHF 2.3 billion as of the end of 2Q16, mainly reflecting higher non-performing loans, driven by downgrades of potential problem loans and new impairments in the Strategic Resolution Unit and International Wealth Management. These increases in gross impaired loans were partially offset by repayments, upgrades to performing loans and write-offs.

On a divisional level, the increase in gross impaired loans compared to the end of 1Q16 was primarily driven by International Wealth Management, Swiss Universal Bank, the Strategic Resolution Unit and Asia Pacific. In International Wealth Management, gross impaired loans increased CHF 39 million, primarily driven by ship finance exposures in the dry bulk segment and a newly impaired lombard loan. In Swiss Universal Bank, gross impaired loans increased CHF 37 million, primarily driven by private and wealth management clients and small and medium-sized enterprises in Switzerland. In the Strategic Resolution Unit, gross impaired loans increased CHF 13 million, primarily driven by newly impaired ship finance and oil and gas-related exposures. The volume of new impairments in the energy sector slowed as crude oil prices improved significantly in 2Q16. In Asia Pacific, gross impaired loans increased CHF 12 million, including a newly impaired aviation lease exposure.

## Allowance for loan losses

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | |
| **Allowance for loan losses at beginning of period** [2, 3] | **474** | **72** | **29** | **40** | **23** | **324** | **962** |
| of which individually evaluated for impairment | 341 | 40 | 15 | 15 | 0 | 313 | 724 |
| of which collectively evaluated for impairment | 133 | 32 | 14 | 25 | 23 | 11 | 238 |
| Net movements recognized in statements of operations | 18 | 18 | (3) | (5) | (2) | (39) | (13) |
| Gross write-offs | (25) | (3) | 0 | (5) | 0 | (75) | (108) |
| Recoveries | 4 | 1 | 0 | 0 | 0 | 6 | 11 |
| Net write-offs | (21) | (2) | 0 | (5) | 0 | (69) | (97) |
| Provisions for interest | 1 | 1 | 2 | 0 | (1) | 1 | 4 |
| Foreign currency translation impact and other adjustments, net | (2) | 0 | 1 | 1 | 2 | 5 | 7 |
| **Allowance for loan losses at end of period** [2] | **470** | **89** | **29** | **31** | **22** | **222** | **863** |
| of which individually evaluated for impairment | 323 | 56 | 21 | 8 | 0 | 215 | 623 |
| of which collectively evaluated for impairment | 147 | 33 | 8 | 23 | 22 | 7 | 240 |
| **6M16 (CHF million)** | | | | | | | |
| **Allowance for loan losses at beginning of period** [2, 3] | **499** | **75** | **50** | **35** | **6** | **201** | **866** |
| of which individually evaluated for impairment | 366 | 43 | 38 | 15 | 0 | 188 | 650 |
| of which collectively evaluated for impairment | 133 | 32 | 12 | 20 | 6 | 13 | 216 |
| Net movements recognized in statements of operations | 29 | 14 | (25) | 4 | 16 | 75 | 113 |
| Gross write-offs | (59) | (3) | 0 | (8) | 0 | (77) | (147) |
| Recoveries | 6 | 2 | 1 | 0 | 1 | 24 | 34 |
| Net write-offs | (53) | (1) | 1 | (8) | 1 | (53) | (113) |
| Provisions for interest | 0 | 1 | 4 | 0 | 0 | 1 | 6 |
| Foreign currency translation impact and other adjustments, net | (5) | 0 | (1) | 0 | (1) | (2) | (9) |
| **Allowance for loan losses at end of period** [2] | **470** | **89** | **29** | **31** | **22** | **222** | **863** |
| of which individually evaluated for impairment | 323 | 56 | 21 | 8 | 0 | 215 | 623 |
| of which collectively evaluated for impairment | 147 | 33 | 8 | 23 | 22 | 7 | 240 |

[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] Allowance for loan losses are only based on loans which are not carried at fair value.
[3] Prior periods for the divisions have been restated and reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.

## Loan metrics

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** [1] |
|---|---|---|---|---|---|---|---|
| **2Q16 (%)** | | | | | | | |
| Non-performing and non-interest-earning loans / Gross loans [2] | 0.4 | 0.6 | 0.6 | 0.2 | 0.0 | 8.6 | 0.6 |
| Gross impaired loans / Gross loans [2] | 0.5 | 0.9 | 0.6 | 0.4 | 0.0 | 13.5 | 0.9 |
| Allowance for loan losses / Gross loans [2, 3] | 0.3 | 0.2 | 0.1 | 0.8 | 0.7 | 3.3 | 0.3 |
| Specific allowance for loan losses / Gross impaired loans [2, 3] | 40.7 | 15.2 | 10.2 | 47.1 | – | 23.4 | 27.0 |
| **1Q16 (%)** | | | | | | | |
| Total non-performing and non-interest-earning loans / Gross loans [2] | 0.4 | 0.5 | 0.6 | 0.3 | 0.1 | 4.4 | 0.5 |
| Gross impaired loans / Gross loans [2] | 0.5 | 0.8 | 0.6 | 0.4 | 0.1 | 12.8 | 0.9 |
| Allowance for loan losses / Gross loans [2, 3] | 0.3 | 0.2 | 0.1 | 0.7 | 0.7 | 4.6 | 0.4 |
| Specific allowance for loan losses / Gross impaired loans [2, 3] | 45.0 | 12.2 | 7.8 | 65.2 | 0.0 | 34.5 | 32.7 |
| **4Q15 (%)** | | | | | | | |
| Non-performing and non-interest-earning loans / Gross loans [2] | 0.4 | 0.3 | 0.7 | 0.4 | 0.1 | 3.0 | 0.5 |
| Gross impaired loans / Gross loans [2] | 0.5 | 0.6 | 0.7 | 0.5 | 0.1 | 7.2 | 0.8 |
| Allowance for loan losses / Gross loans [2, 3] | 0.3 | 0.2 | 0.1 | 0.6 | 0.8 | 3.5 | 0.4 |
| Specific allowance for loan losses / Gross impaired loans [2, 3] | 42.9 | 15.9 | 6.6 | 42.9 | 0.0 | 47.4 | 36.7 |

Prior periods for the divisions have been restated and reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.
[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] Excludes loans carried at fair value.
[3] Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.

## SELECTED EUROPEAN CREDIT RISK EXPOSURES

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion.

▸ Refer to "Selected European credit risk exposures" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results in the Credit Suisse Annual Report 2015 for further information on selected European credit risk exposures.

### Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our overall risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses of our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our over-the-counter (OTC) derivative and reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from G7 and non-G7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

### Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Cyprus, Croatia, Greece, Ireland, Italy, Malta, Portugal and Spain as of the end of 2Q16 was EUR 3,528 million, 9% lower compared to EUR 3,870 million as of the end of 1Q16. Our net exposure to these sovereigns was EUR 535 million, 46% lower compared to EUR 997 million as of the end of 1Q16. Our non-sovereign risk-based credit risk exposure in these countries as of the end of 2Q16 included net exposure to financial institutions of EUR 2,802 million and to corporates and other counterparties of EUR 1,192 million, 4% lower compared to EUR 2,913 million and 8% higher compared to EUR 1,106 million, respectively, as of the end of 1Q16.

▸ Refer to "Selected European credit risk exposures" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results in the Credit Suisse Annual Report 2015 for further information on the presentation of selected European credit risk exposures.

### Sovereign debt rating developments

In 2Q16, the long-term sovereign debt ratings of the countries listed in the table were affected as follows: Moody's increased Ireland's rating from Baa1 to A3. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

## Selected European credit risk exposures

| | Gross credit risk exposure | Risk mitigation | | Net credit risk exposure | Inventory [2] | | Total credit risk exposure | |
|---|---|---|---|---|---|---|---|---|
| **end of 2Q16** | | CDS | Other [1] | | | Net synthetic inventory [3] | **Gross** | **Net** |
| **Croatia (EUR million)** | | | | | | | | |
| Sovereign | 217 | 35 | 158 | 24 | 0 | (97) | 217 | 24 |
| Financial institutions | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 1 |
| Corporates & other | 50 | 0 | 0 | 50 | 0 | 0 | 50 | 50 |
| **Total** | **267** | **35** | **158** | **74** | **1** | **(97)** | **268** | **75** |
| **Cyprus (EUR million)** | | | | | | | | |
| Financial institutions | 12 | 0 | 9 | 3 | 0 | 0 | 12 | 3 |
| Corporates & other | 1,253 | 0 | 1,231 | 22 | 0 | 0 | 1,253 | 22 |
| **Total** | **1,265** | **0** | **1,240** | **25** | **0** | **0** | **1,265** | **25** |
| **Greece (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 |
| Financial institutions | 114 | 0 | 113 | 1 | 0 | 0 | 114 | 1 |
| Corporates & other | 1,018 | 0 | 994 | 24 | 15 | (21) | 1,033 | 39 |
| **Total** | **1,132** | **0** | **1,107** | **25** | **15** | **(15)** | **1,147** | **40** |
| **Ireland (EUR million)** | | | | | | | | |
| Sovereign | 7 | 0 | 0 | 7 | 0 | (9) | 7 | 7 |
| Financial institutions | 1,635 | 11 | 523 | 1,101 | 187 | (73) | 1,822 | 1,288 |
| Corporates & other | 929 | 104 | 639 | 186 | 9 | (171) | 938 | 195 |
| **Total** | **2,571** | **115** | **1,162** | **1,294** | **196** | **(253)** | **2,767** | **1,490** |
| **Italy (EUR million)** | | | | | | | | |
| Sovereign | 3,241 | 2,592 | 208 | 441 | 0 | (1,441) | 3,241 | 441 |
| Financial institutions | 1,513 | 1 | 914 | 598 | 57 | 32 | 1,570 | 655 |
| Corporates & other | 3,044 | 126 | 2,518 | 400 | 63 | (105) | 3,107 | 463 |
| **Total** | **7,798** | **2,719** | **3,640** | **1,439** | **120** | **(1,514)** | **7,918** | **1,559** |
| **Malta (EUR million)** | | | | | | | | |
| Financial institutions | 39 | 0 | 0 | 39 | 0 | 0 | 39 | 39 |
| Corporates & other | 542 | 0 | 542 | 0 | 0 | 0 | 542 | 0 |
| **Total** | **581** | **0** | **542** | **39** | **0** | **0** | **581** | **39** |
| **Portugal (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 35 | 30 | 35 | 35 |
| Financial institutions | 179 | 0 | 174 | 5 | 1 | (3) | 180 | 6 |
| Corporates & other | 198 | 0 | 115 | 83 | 15 | (31) | 213 | 98 |
| **Total** | **377** | **0** | **289** | **88** | **51** | **(4)** | **428** | **139** |
| **Spain (EUR million)** | | | | | | | | |
| Sovereign | 28 | 0 | 0 | 28 | 0 | (14) | 28 | 28 |
| Financial institutions | 1,430 | 1 | 621 | 808 | 1 | (137) | 1,431 | 809 |
| Corporates & other | 1,614 | 0 | 1,320 | 294 | 31 | (105) | 1,645 | 325 |
| **Total** | **3,072** | **1** | **1,941** | **1,130** | **32** | **(256)** | **3,104** | **1,162** |
| **Total (EUR million)** | | | | | | | | |
| Sovereign | 3,493 | 2,627 | 366 | 500 | 35 | (1,525) | 3,528 | 535 |
| Financial institutions | 4,922 | 13 | 2,354 | 2,555 | 247 | (181) | 5,169 | 2,802 |
| Corporates & other | 8,648 | 230 | 7,359 | 1,059 | 133 | (433) | 8,781 | 1,192 |
| **Total** | **17,063** | **2,870** | **10,079** | **4,114** | **415** | **(2,139)** | **17,478** | **4,529** |

[1] Includes other hedges (derivative instruments), guarantees, insurance and collateral.
[2] Represents long inventory positions netted at issuer level.
[3] Substantially all of which results from CDS; represents long positions net of short positions.

# Balance sheet and off-balance sheet

Total assets were CHF 821.2 billion, total liabilities were CHF 775.8 billion and total equity was CHF 45.3 billion. Total assets increased 1% and total liabilities increased 1% for the quarter, reflecting the foreign exchange translation impact, partially offset by lower operating activities. The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

## BALANCE SHEET

Total assets were CHF 821.2 billion as of the end of 2Q16, an increase of CHF 7.3 billion, or 1%, from the end of 1Q16, reflecting the foreign exchange translation impact, partially offset by lower operating activities. Excluding the foreign exchange translation impact, total assets decreased CHF 3.6 billion.

Compared to the end of 1Q16, cash and due from banks increased CHF 19.8 billion, or 21%, mainly driven by higher cash positions at the Fed and the foreign exchange translation impact. Brokerage receivables increased CHF 6.6 billion, or 19%, mainly driven by an increase in failed settlements and the foreign exchange translation impact. Net loans increased CHF 3.6 billion, or 1%, mainly driven by higher commercial and industrial loans, higher loans collateralized by securities, higher residential mortgages and the foreign exchange translation impact, partially offset by lower loans to financial institutions and lower loans in the real estate sector. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions decreased CHF 14.1 billion, or 10%, mainly driven by a decrease in reverse repurchase transactions with customers, a decrease in cash collateral on stock borrowing to customers and banks, partially offset by the foreign exchange translation impact. Trading assets decreased CHF 9.9 billion, or 5%, mainly due to lower debt and equity securities, partially offset by the foreign exchange translation impact. All other assets increased CHF 1.3 billion, or 1%, mainly reflecting an increase in other assets related to cash collateral on derivative instruments and the foreign exchange translation impact.

### Balance sheet summary

| | | | end of | % change | |
|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 4Q15 | QoQ | Ytd |
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 114,049 | 94,210 | 92,328 | 21 | 24 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 122,068 | 136,211 | 123,049 | (10) | (1) |
| Trading assets | 177,619 | 187,550 | 190,737 | (5) | (7) |
| Net loans | 273,835 | 270,248 | 272,995 | 1 | 0 |
| Brokerage receivables | 42,108 | 35,504 | 34,542 | 19 | 22 |
| All other assets | 91,485 | 90,175 | 107,154 | 1 | (15) |
| **Total assets** | **821,164** | **813,898** | **820,805** | 1 | 0 |
| **Liabilities and equity (CHF million)** | | | | | |
| Due to banks | 23,229 | 23,961 | 21,054 | (3) | 10 |
| Customer deposits | 347,559 | 344,545 | 342,705 | 1 | 1 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 32,499 | 40,150 | 46,598 | (19) | (30) |
| Trading liabilities | 51,682 | 53,582 | 48,971 | (4) | 6 |
| Long-term debt | 200,226 | 183,490 | 197,608 | 9 | 1 |
| Brokerage payables | 43,944 | 41,880 | 39,452 | 5 | 11 |
| All other liabilities | 76,696 | 80,843 | 79,399 | (5) | (3) |
| **Total liabilities** | **775,835** | **768,451** | **775,787** | 1 | 0 |
| **Total shareholders' equity** | **44,962** | **44,997** | **44,382** | 0 | 1 |
| Noncontrolling interests | 367 | 450 | 636 | (18) | (42) |
| **Total equity** | **45,329** | **45,447** | **45,018** | 0 | 1 |
| **Total liabilities and equity** | **821,164** | **813,898** | **820,805** | 1 | 0 |

Total liabilities were CHF 775.8 billion as of the end of 2Q16, an increase of CHF 7.4 billion, or 1%, from the end of 1Q16, reflecting the foreign exchange translation impact, partially offset by lower operating activities. Excluding the foreign exchange translation impact, total liabilities decreased CHF 2.5 billion.

Compared to the end of 1Q16, long-term debt increased CHF 16.7 billion, or 9%, primarily driven by the issuances of senior debt and the foreign exchange translation impact, partially offset by maturities. Customer deposits increased CHF 3.0 billion, or 1%, mainly driven by higher transaction accounts, corporate accounts, fiduciary deposits, time and demand deposits and the foreign exchange translation impact, mostly offset by a decrease in certificates of deposits. Brokerage payables increased by CHF 2.1 billion, or 5%, mainly reflecting an increase in failed settlements and the foreign exchange translation impact. Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions decreased CHF 7.7 billion, or 19%, mainly driven by a decrease in repurchase transactions with customers and banks, partially offset by the foreign exchange translation impact. Trading liabilities decreased CHF 1.9 billion, or 4%, mainly reflecting a decrease in short positions, partially offset by an increase in derivatives and the foreign exchange translation impact. Due to banks decreased CHF 0.7 billion, or 3%, mainly driven by an decrease in deposits with banks and a decrease in demand sweep deposits. All other liabilities decreased CHF 4.1 billion, or 5%, mainly reflecting a decrease in short-term borrowings, partially offset by the foreign exchange translation impact.

▸ Refer to “Funding sources and uses” in Liquidity and funding management and “Capital management” for further information, including our funding of the balance sheet and the leverage ratio.

## OFF-BALANCE SHEET

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with special purpose entities (SPEs), and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

▸ Refer to “Liquidity and funding management” in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 and “Note 27 – Guarantees and commitments” and “Note 31 – Litigation” in III – Condensed consolidated financial statements – unaudited for further information.

III

# Condensed consolidated financial statements – unaudited

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## Notes to the condensed consolidated financial statements – unaudited


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Report of Independent Registered Public Accounting Firm to the Board of Directors of

**Credit Suisse Group AG, Zurich**

We have reviewed the accompanying condensed consolidated balance sheets of Credit Suisse Group AG and subsidiaries (the "Group") as of June 30, 2016 and 2015, the related condensed consolidated statements of operations, changes in equity and comprehensive income for the three and six-month periods ended June 30, 2016 and 2015, and the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2016 and 2015. These condensed consolidated financial statements are the responsibility of the Group's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Group as of December 31, 2015, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated March 24, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG AG

Nicholas Edmonds
*Licensed Audit Expert*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
July 28, 2016

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# Condensed consolidated financial statements – unaudited

## Consolidated statements of operations (unaudited)

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | | |
| Interest and dividend income | 4,757 | 4,585 | 5,903 | 9,342 | 10,393 |
| Interest expense | (2,758) | (2,574) | (3,034) | (5,332) | (5,372) |
| Net interest income | 1,999 | 2,011 | 2,869 | 4,010 | 5,021 |
| Commissions and fees | 2,796 | 2,675 | 3,259 | 5,471 | 6,238 |
| Trading revenues | 94 | (271) | 498 | (177) | 1,888 |
| Other revenues | 219 | 223 | 329 | 442 | 455 |
| **Net revenues** | **5,108** | **4,638** | **6,955** | **9,746** | **13,602** |
| **Provision for credit losses** | **(28)** | **150** | **51** | **122** | **81** |
| Compensation and benefits | 2,734 | 2,482 | 2,914 | 5,216 | 5,890 |
| General and administrative expenses | 1,760 | 1,848 | 1,928 | 3,608 | 3,666 |
| Commission expenses | 352 | 387 | 406 | 739 | 798 |
| Restructuring expenses | 91 | 255 | – | 346 | – |
| Total other operating expenses | 2,203 | 2,490 | 2,334 | 4,693 | 4,464 |
| **Total operating expenses** | **4,937** | **4,972** | **5,248** | **9,909** | **10,354** |
| **Income/(loss) before taxes** | **199** | **(484)** | **1,656** | **(285)** | **3,167** |
| Income tax expense/(benefit) | 21 | (179) | 590 | (158) | 1,067 |
| **Net income/(loss)** | **178** | **(305)** | **1,066** | **(127)** | **2,100** |
| Net income/(loss) attributable to noncontrolling interests | 8 | (3) | 15 | 5 | (5) |
| **Net income/(loss) attributable to shareholders** | **170** | **(302)** | **1,051** | **(132)** | **2,105** |
| **Earnings/(loss) per share (CHF)** | | | | | |
| Basic earnings/(loss) per share | 0.08 | (0.15) | 0.61 | (0.07) | 1.23 |
| Diluted earnings/(loss) per share | 0.08 | (0.15) | 0.59 | (0.07) | 1.20 |

## Consolidated statements of comprehensive income (unaudited)

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Comprehensive income/(loss) (CHF million)** | | | | | |
| Net income/(loss) | 178 | (305) | 1,066 | (127) | 2,100 |
| Gains/(losses) on cash flow hedges | 20 | 46 | 31 | 66 | 39 |
| Foreign currency translation | 345 | (855) | (1,053) | (510) | (2,546) |
| Unrealized gains/(losses) on securities | 2 | 5 | (12) | 7 | (2) |
| Actuarial gains/(losses) | 82 | 105 | 92 | 187 | 181 |
| Net prior service credit/(cost) | (25) | (28) | (22) | (53) | (43) |
| Gains/(losses) on liabilities related to credit risk | (69) | 1,266 | – | 1,197 | – |
| Other comprehensive income/(loss), net of tax | 355 | 539 | (964) | 894 | (2,371) |
| **Comprehensive income/(loss)** | **533** | **234** | **102** | **767** | **(271)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 22 | (21) | (15) | 1 | (59) |
| **Comprehensive income/(loss) attributable to shareholders** | **511** | **255** | **117** | **766** | **(212)** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited)

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | 114,049 | 94,210 | 92,328 |
| of which reported at fair value | 318 | 193 | 89 |
| of which reported from consolidated VIEs | 489 | 314 | 1,693 |
| Interest-bearing deposits with banks | 820 | 868 | 867 |
| of which reported at fair value | 0 | 2 | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 122,068 | 136,211 | 123,049 |
| of which reported at fair value | 79,927 | 92,788 | 83,565 |
| of which reported from consolidated VIEs | 0 | 0 | 53 |
| Securities received as collateral, at fair value | 25,993 | 25,760 | 28,511 |
| of which encumbered | 22,046 | 21,377 | 27,940 |
| Trading assets, at fair value | 177,619 | 187,550 | 190,737 |
| of which encumbered | 58,393 | 59,810 | 62,559 |
| of which reported from consolidated VIEs | 3,475 | 3,144 | 2,372 |
| Investment securities | 2,611 | 3,143 | 3,090 |
| of which reported at fair value | 2,611 | 3,143 | 3,090 |
| of which reported from consolidated VIEs | 544 | 1,066 | 1,009 |
| Other investments | 6,149 | 6,294 | 7,021 |
| of which reported at fair value | 3,587 | 3,646 | 4,237 |
| of which reported from consolidated VIEs | 1,955 | 2,175 | 1,986 |
| Net loans | 273,835 | 270,248 | 272,995 |
| of which reported at fair value | 20,831 | 21,521 | 20,820 |
| of which encumbered | 111 | 108 | 108 |
| of which reported from consolidated VIEs | 360 | 353 | 1,312 |
| allowance for loan losses | (863) | (962) | (866) |
| Premises and equipment | 4,693 | 4,609 | 4,644 |
| of which reported from consolidated VIEs | 282 | 288 | 327 |
| Goodwill | 4,745 | 4,688 | 4,808 |
| Other intangible assets | 191 | 186 | 196 |
| of which reported at fair value | 111 | 106 | 112 |
| Brokerage receivables | 42,108 | 35,504 | 34,542 |
| Other assets | 46,283 | 44,627 | 58,017 |
| of which reported at fair value | 13,439 | 13,308 | 25,627 |
| of which encumbered | 50 | 421 | 671 |
| of which reported from consolidated VIEs | 2,503 | 3,778 | 14,451 |
| **Total assets** | **821,164** | **813,898** | **820,805** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited) (continued)

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 23,229 | 23,961 | 21,054 |
| of which reported at fair value | 514 | 499 | 482 |
| Customer deposits | 347,559 | 344,545 | 342,705 |
| of which reported at fair value | 3,908 | 3,529 | 3,663 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 32,499 | 40,150 | 46,598 |
| of which reported at fair value | 18,114 | 25,421 | 32,398 |
| Obligation to return securities received as collateral, at fair value | 25,993 | 25,760 | 28,511 |
| Trading liabilities, at fair value | 51,682 | 53,582 | 48,971 |
| of which reported from consolidated VIEs | 137 | 22 | 27 |
| Short-term borrowings | 11,178 | 14,768 | 8,657 |
| of which reported at fair value | 2,996 | 3,185 | 3,112 |
| of which reported from consolidated VIEs | 1 | 34 | 81 |
| Long-term debt | 200,226 | 183,490 | 197,608 |
| of which reported at fair value | 73,922 | 69,104 | 80,931 |
| of which reported from consolidated VIEs | 1,780 | 2,147 | 14,826 |
| Brokerage payables | 43,944 | 41,880 | 39,452 |
| Other liabilities | 39,525 | 40,315 | 42,231 |
| of which reported at fair value | 10,104 | 10,867 | 11,754 |
| of which reported from consolidated VIEs | 241 | 1,115 | 836 |
| **Total liabilities** | **775,835** | **768,451** | **775,787** |
| Common shares | 84 | 78 | 78 |
| Additional paid-in capital | 31,702 | 32,318 | 31,925 |
| Retained earnings | 28,532 | 28,362 | 29,139 |
| Treasury shares, at cost | (94) | (158) | (125) |
| Accumulated other comprehensive income/(loss) | (15,262) | (15,603) | (16,635) |
| **Total shareholders' equity** | **44,962** | **44,997** | **44,382** |
| Noncontrolling interests | 367 | 450 | 636 |
| **Total equity** | **45,329** | **45,447** | **45,018** |
| **Total liabilities and equity** | **821,164** | **813,898** | **820,805** |

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Additional share information** | | | |
| Par value (CHF) | 0.04 | 0.04 | 0.04 |
| Authorized shares [1] | 2,797,379,244 | 2,666,152,845 | 2,666,152,845 |
| Common shares issued | 2,089,897,378 | 1,957,379,244 | 1,957,379,244 |
| Treasury shares | (8,533,613) | (10,939,863) | (5,910,224) |
| Shares outstanding | 2,081,363,765 | 1,946,439,381 | 1,951,469,020 |

[1] Includes issued shares and unissued shares (conditional, conversion and authorized capital).

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Noncontrolling interests | **Total equity** |
| **2Q16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **78** | **32,318** | **28,362** | **(158)** | **(15,603)** | **44,997** | **450** | **45,447** |
| Purchase of subsidiary shares from noncontrolling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (53) | (53) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 13 | 13 |
| Net income/(loss) | – | – | 170 | – | – | 170 | 8 | 178 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 341 | 341 | 14 | 355 |
| Issuance of common shares | 6 | 1,661 | – | – | – | 1,667 | – | 1,667 |
| Sale of treasury shares | – | 29 | – | 6,192 | – | 6,221 | – | 6,221 |
| Repurchase of treasury shares | – | – | – | (6,254) | – | (6,254) | – | (6,254) |
| Share-based compensation, net of tax | – | (766) [3] | – | 126 | – | (640) | – | (640) |
| Financial instruments indexed to own shares [4] | – | (81) | – | – | – | (81) | – | (81) |
| Dividends paid | – | (1,435) [5] | – | – | – | (1,435) | – | (1,435) |
| Change in scope of consolidation, net | – | – | – | – | – | – | (36) | (36) |
| Other | – | (24) | – | – | – | (24) | (29) | (53) |
| **Balance at end of period** | **84** | **31,702** | **28,532** | **(94)** | **(15,262)** | **44,962** | **367** | **45,329** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax charge of CHF (146) million from the excess recognized compensation expense over fair value of shares delivered.
[4] Includes certain call options the Group purchased on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
[5] Paid out of reserves from capital contributions.

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **1Q16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **78** | **31,925** | **29,139** | **(125)** | **(16,635)** | **44,382** | **636** | **45,018** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (10) | (10) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 64 | 64 |
| Net income/(loss) | – | – | (302) | – | – | (302) | (3) | (305) |
| Cumulative effect of accounting changes, net of tax | – | – | (475) | – | 475 | – | – | – |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 557 | 557 | (18) | 539 |
| Sale of treasury shares | – | (65) | – | 3,002 | – | 2,937 | – | 2,937 |
| Repurchase of treasury shares | – | – | – | (3,047) | – | (3,047) | – | (3,047) |
| Share-based compensation, net of tax | – | 483 | – | 12 | – | 495 | – | 495 |
| Financial instruments indexed to own shares | – | (27) | – | – | – | (27) | – | (27) |
| Change in scope of consolidation, net | – | – | – | – | – | – | (219) | (219) |
| Other | – | 2 | – | – | – | 2 | – | 2 |
| **Balance at end of period** | **78** | **32,318** | **28,362** | **(158)** | **(15,603)** | **44,997** | **450** | **45,447** |
| **2Q15 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,589** | **33,137** | **(1,008)** | **(16,386)** | **43,396** | **889** | **44,285** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (92) | (92) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 30 | 30 |
| Net income/(loss) | – | – | 1,051 | – | – | 1,051 | 15 | 1,066 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (934) | (934) | (30) | (964) |
| Issuance of common shares | 1 | 710 | – | – | – | 711 | – | 711 |
| Sale of treasury shares | – | 7 | – | 5,605 | – | 5,612 | – | 5,612 |
| Repurchase of treasury shares | – | – | – | (5,719) | – | (5,719) | – | (5,719) |
| Share-based compensation, net of tax | – | (1,233) | – | 971 | – | (262) | – | (262) |
| Financial instruments indexed to own shares | – | (76) | – | – | – | (76) | – | (76) |
| Dividends paid | – | (1,137) | – | – | – | (1,137) | – | (1,137) |
| Change in scope of consolidation, net | – | – | – | – | – | – | 6 | 6 |
| **Balance at end of period** | **65** | **25,860** | **34,188** | **(151)** | **(17,320)** | **42,642** | **818** | **43,460** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **6M16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **78** | **31,925** | **29,139** | **(125)** | **(16,635)** | **44,382** | **636** | **45,018** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (63) | (63) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 77 | 77 |
| Net income/(loss) | – | – | (132) | – | – | (132) | 5 | (127) |
| Cumulative effect of accounting changes, net of tax | – | – | (475) | – | 475 | – | – | – |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 898 | 898 | (4) | 894 |
| Issuance of common shares | 6 | 1,661 | – | – | – | 1,667 | – | 1,667 |
| Sale of treasury shares | – | (36) | – | 9,194 | – | 9,158 | – | 9,158 |
| Repurchase of treasury shares | – | – | – | (9,301) | – | (9,301) | – | (9,301) |
| Share-based compensation, net of tax | – | (283) [3] | – | 138 | – | (145) | – | (145) |
| Financial instruments indexed to own shares [4] | – | (108) | – | – | – | (108) | – | (108) |
| Dividends paid | – | (1,435) [5] | – | – | – | (1,435) | – | (1,435) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (255) | (255) |
| Other | – | (22) | – | – | – | (22) | (29) | (51) |
| **Balance at end of period** | **84** | **31,702** | **28,532** | **(94)** | **(15,262)** | **44,962** | **367** | **45,329** |
| **6M15 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,007** | **32,083** | **(192)** | **(15,003)** | **43,959** | **1,042** | **45,001** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (214) | (214) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 45 | 45 |
| Net income/(loss) | – | – | 2,105 | – | – | 2,105 | (5) | 2,100 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (2,317) | (2,317) | (54) | (2,371) |
| Issuance of common shares | 1 | 710 | – | – | – | 711 | – | 711 |
| Sale of treasury shares | – | (3) | – | 7,438 | – | 7,435 | – | 7,435 |
| Repurchase of treasury shares | – | – | – | (8,385) | – | (8,385) | – | (8,385) |
| Share-based compensation, net of tax | – | (857) | – | 988 | – | 131 | – | 131 |
| Financial instruments indexed to own shares | – | 140 | – | – | – | 140 | – | 140 |
| Dividends paid | – | (1,137) | – | – | – | (1,137) | – | (1,137) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | 6 | 6 |
| Other | – | – | – | – | – | – | (2) | (2) |
| **Balance at end of period** | **65** | **25,860** | **34,188** | **(151)** | **(17,320)** | **42,642** | **818** | **43,460** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax charge of CHF (126) million from the excess recognized compensation expense over fair value of shares delivered.
[4] Includes certain call options the Group purchased on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
[5] Paid out of capital contribution reserves.

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited)

| in | 6M16 | 6M15 |
|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | |
| **Net income/(loss)** | **(127)** | **2,100** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | |
| Impairment, depreciation and amortization | 471 | 520 |
| Provision for credit losses | 122 | 81 |
| Deferred tax provision/(benefit) | (339) | 708 |
| Share of net income/(loss) from equity method investments | 36 | (33) |
| Trading assets and liabilities, net | 15,182 | 12,857 |
| (Increase)/decrease in other assets | (9,341) | (8,431) |
| Increase/(decrease) in other liabilities | 3,988 | (5,216) |
| Other, net | (158) | 193 |
| Total adjustments | 9,961 | 679 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **9,834** | **2,779** |
| **Investing activities of continuing operations (CHF million)** | | |
| (Increase)/decrease in interest-bearing deposits with banks | 56 | 305 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 786 | 16,054 |
| Purchase of investment securities | (60) | (272) |
| Proceeds from sale of investment securities | 9 | 14 |
| Maturities of investment securities | 213 | 342 |
| Investments in subsidiaries and other investments | (378) | (335) |
| Proceeds from sale of other investments | 591 | 951 |
| (Increase)/decrease in loans | (2,083) | (3,677) |
| Proceeds from sales of loans | 415 | 1,018 |
| Capital expenditures for premises and equipment and other intangible assets | (582) | (474) |
| Proceeds from sale of premises and equipment and other intangible assets | 53 | 11 |
| Other, net | 51 | 195 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **(929)** | **14,132** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited) (continued)

| in | 6M16 | 6M15 |
|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | |
| Increase/(decrease) in due to banks and customer deposits | 8,772 | 1,065 |
| Increase/(decrease) in short-term borrowings | 3,049 | 1,110 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (13,622) | (7,873) |
| Issuances of long-term debt | 35,677 | 47,503 |
| Repayments of long-term debt | (20,718) | (29,565) |
| Issuances of common shares | 725 | 1 |
| Sale of treasury shares | 9,158 | 7,435 |
| Repurchase of treasury shares | (9,301) | (8,385) |
| Dividends paid | (493) | (427) |
| Other, net | 41 | 384 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **13,288** | **11,248** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | |
| **Effect of exchange rate changes on cash and due from banks** | **(472)** | **(3,454)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | |
| **Net increase/(decrease) in cash and due from banks** | **21,721** | **24,705** |
| Cash and due from banks at beginning of period | 92,328 | 79,349 |
| **Cash and due from banks at end of period** | **114,049** | **104,054** |

## Supplemental cash flow information (unaudited)

| in | 6M16 | 6M15 |
|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | |
| Cash paid for income taxes | 234 | 683 |
| Cash paid for interest | 5,072 | 5,601 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | |
| Fair value of assets acquired | 0 | 2 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | |
| Assets sold | 0 | 34 |
| Liabilities sold | 0 | 7 |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

# Notes to the condensed consolidated financial statements – unaudited

## 1 Summary of significant accounting policies

### Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Credit Suisse Group AG (the Group) are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). These condensed consolidated financial statements should be read in conjunction with the US GAAP consolidated financial statements and notes thereto for the year ended December 31, 2015 included in the Credit Suisse Annual Report 2015.

▸ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for a description of the Group's significant accounting policies.

Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with US GAAP, but not required for interim reporting purposes, has been condensed or omitted. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current period's presentation. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the periods presented. The 1Q16 consolidated statements of operations and comprehensive income, the 1Q16 consolidated balance sheets and the 2Q16, 1Q16 and 2Q15 consolidated statements of changes in equity have been added for convenience of the reader and are not a required presentation under US GAAP. The results of operations for interim periods are not indicative of results for the entire year.

In preparing these condensed consolidated financial statements, management is required to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2 Recently issued accounting standards

### Recently adopted accounting standards

The following provides the most relevant recently adopted accounting standards.

▸ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for a description of accounting standards adopted in 2015.

#### ASC Topic 718 – Compensation – Stock Compensation

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" (ASU 2014-12), an update to Accounting Standards Codification (ASC) Topic 718 – Compensation – Stock Compensation. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The adoption of ASU 2014-12 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 810 – Consolidation

In February 2015, the FASB issued ASU 2015-02, "Amendments to the Consolidation Analysis" (ASU 2015-02), an update to ASC Topic 810 – Consolidation. The amendments in ASU 2015-02 rescind the indefinite deferral for certain investment funds, which is included in ASU 2010-10, Consolidation (ASC Topic 810), "Amendments for Certain Investment Funds". The amendments in ASU 2015-02 also require a re-evaluation as to whether certain legal entities require consolidation under the revised consolidation model, specifically as it relates to whether limited partnerships and similar legal entities are VIEs or voting interest entities, the elimination of the presumption that a general partner controls a partnership, and the consolidation analysis of VIEs, particularly those that have fee arrangements and related party relationships. The adoption of ASU 2015-02 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" (ASU 2014-13), an update to ASC Topic 810 – Consolidation. ASU 2014-13 applies to reporting entities that are required to consolidate a collateralized financing entity (CFE) under the VIE guidance. These entities may elect to measure the financial assets and the financial liabilities of the CFE at fair value using either ASC Topic 820 – Fair Value Measurements or an alternative provided in ASU 2014-13. When using the measurement alternative provided in this update, the reporting entity should measure both the financial assets and the financial liabilities of the CFE, using the most observable of (i) the fair value of the financial assets and (ii) the fair value of the financial liabilities. The adoption of ASU 2014-13 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 815 – Derivatives and Hedging

In November 2014, the FASB issued ASU 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity" (ASU 2014-16), an update to ASC Topic 815 – Derivatives and Hedging. The amendments in ASU 2014-16 clarify that for hybrid financial instruments issued in the form of a share, an entity (an issuer or an investor) should determine the nature of the host contract by

considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. The adoption of ASU 2014-16 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

ASC Topic 820 – Fair Value Measurement

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2015-07), an update to ASC Topic 820 – Fair Value Measurement. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient and change the scope of certain disclosure requirements to those investments for which an entity has elected using that practical expedient. The adoption of ASU 2015-07 on January 1, 2016 resulted in modified disclosures but did not have a material impact on the Group's financial position, results of operations and cash flows.

ASC Topic 825 – Financial Instruments – Overall

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), an update to ASC Topic 825 – Financial Instruments – Overall. The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, and for the interim and annual reporting periods thereafter. Early adoption of the full standard is not permitted, however, certain sections of ASU 2016-01 relating to fair value option-elected financial liabilities can be early adopted in isolation. These amendments to ASU 2016-01 require the changes in fair value relating to instrument-specific credit risk of fair value option elected financial liabilities to be presented separately in accumulated other comprehensive income. The Group has early adopted these sections of the update on January 1, 2016. As a result of adoption, a reclassification of a gain from retained earnings to accumulated other comprehensive income of CHF 475 million, net of tax, was recorded. The Group is currently evaluating the impact of the adoption of the remaining sections of ASU 2016-01 on the Group's financial position, results of operations and cash flows.

ASC Topic 835 – Interest

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), an update to ASC Subtopic 835-30, "Interest – Imputation of Interest". Under ASU 2015-03, an entity presents debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than an asset. The adoption of ASU 2015-03 on January 1, 2016 resulted in a reduction to both total assets and total liabilities of CHF 541 million, however, retrospective application was deemed immaterial and, as such, prior periods were not restated.

**Standards to be adopted in future periods**

ASC Topic 205 – Presentation of Financial Statements

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" (ASU 2014-15), an update to ASC Topic 205 – Presentation of Financial Statements. The amendments in ASU 2014-15 provide guidance in US GAAP about management's responsibility to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures in the notes to the financial statements. The amendments are expected to reduce diversity in the timing and content of such disclosures. ASU 2014-15 is effective for the annual reporting period ending after December 15, 2016, and for the interim and annual reporting periods thereafter. Early adoption is permitted. As these amendments relate only to disclosures, the adoption of ASU 2014-15 will have no impact on the Group's financial position, results of operations and cash flows.

ASC Topic 326 – Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), an update to ASC Topic 326 – Financial Instruments – Credit Losses. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on financial assets measured at amortized cost basis (including, but not limited to loans), net investments in leases recognized as lessor and off-balance sheet credit exposures. The ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Group will now incorporate forward-looking information into its credit loss estimates. The ASU requires enhanced disclosures to help investors and other financial statement users to better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. As the Group is an SEC filer, ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, and for the interim and annual reporting periods thereafter. Early application will be permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-13 on the Group's financial position, results of operations and cash flows.

ASC Topic 606 – Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), an update to ASC Topic 606 – Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers

in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU outlines key steps that an entity should follow to achieve the core principle. ASU 2014-19, as amended by ASU 2015-14 "Deferral of the Effective Date", ASU 2016-08 "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)", ASU 2016-10 "Identifying Performance Obligations and Licensing", ASU 2016-11 "Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting" and ASU 2016-12 "Narrow-Scope Improvements and Practical Expedients", is effective for the annual reporting period beginning after December 15, 2017, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2014-09 and its amendments on the Group's financial position, results of operations and cash flows.

#### ASC Topic 718 – Compensation – Stock Compensation

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09), an update to ASC Topic 718 – Compensation—Stock Compensation. The amendments in ASU 2016-09 provide simplification updates for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-09 on the Group's financial position, results of operations and cash flows.

#### ASC Topic 842 – Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" (ASU 2016-02), creating ASC Topic 842 – Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet. Lessor accounting is substantially unchanged compared to the current accounting guidance. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-02 on the Group's financial position, results of operations and cash flows.

## 3 Business developments

**Implementation of our strategy**

As announced on March 23, 2016, we have implemented additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower our cost base, accelerate the risk-weighted assets and leverage reduction initiatives in the restructuring of our Global Markets business and further strengthen our capital position.

The additional measures included exiting the distressed credit, European securitized products trading and long-term illiquid financing businesses and making other business reductions. The assets from these impacted businesses were transferred to the Strategic Resolution Unit in 2Q16.

As also announced, in 2Q16 the Group consolidated its foreign exchange sales and trading business from Global Markets into its trading operations within Swiss Universal Bank. The results of the sales and trading business continue to be split between Swiss Universal Bank and International Wealth Management.

A portion of the corporate loan portfolio managed by the Global Markets and Investment Banking & Capital Markets divisions was also transferred to the Strategic Resolution Unit in 2Q16. These transfers related to client lending relationship exits and exposure types that we do not consider consistent with the announced strategy.

In 2Q16, we also transferred from Global Markets to the Corporate Center a portfolio of positions containing tax risk to the Group that is managed by the Group's corporate tax function.

As a result of the above strategic actions, prior period segment results have been reclassified to conform to the current presentation. These reclassifications had no impact on the net income/(loss) or the total shareholders' equity of the Group.

#### Funding and cost allocations

In the ongoing process of implementing the Group's strategy across our six business divisions, in 2Q16 the Group retroactively recalibrated, with effect as of the beginning of 1Q16, its methodology to allocate funding costs across the Group to incorporate net stable funding ratio (NSFR) requirements.

Corporate services and business support in finance, operations, human resources, legal, compliance, risk management and IT are provided by corporate functions, and the related costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures. In the ongoing process of implementing the Group's strategy across our six business divisions, in 2Q16, the Group recalibrated its methodology for the allocation of these corporate function costs to the operating expenses of the divisions, including a retroactive adjustment for 1Q16 in 2Q16.

## 4 Discontinued operations

There were no operations that were discontinued in 6M16 and 2015.

▸ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

## 5 Segment information

### Overview

The Group is a global financial services company domiciled in Switzerland and serves its clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with the strategic direction. The segment information reflects the Group's six reportable segments and the Corporate Center, which are managed and reported on a pre-tax basis.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on segment information, revenue sharing and cost allocation and funding.

### Net revenues and income before taxes

| in | **2Q16** | 1Q16 | 2Q15 | **6M16** | 6M15 |
|---|---|---|---|---|---|
| **Net revenues (CHF million)** | | | | | |
| Swiss Universal Bank | 1,337 | 1,356 | 1,462 | 2,693 | 2,862 |
| International Wealth Management | 1,145 | 1,173 | 1,165 | 2,318 | 2,286 |
| Asia Pacific | 911 | 907 | 1,040 | 1,818 | 2,128 |
| Global Markets | 1,630 | 1,245 | 1,926 | 2,875 | 4,077 |
| Investment Banking & Capital Markets | 543 | 388 | 568 | 931 | 967 |
| Strategic Resolution Unit | (363) | (541) | 410 | (904) | 725 |
| Corporate Center | (95) | 110 | 384 | 15 | 557 |
| **Net revenues** | **5,108** | **4,638** | **6,955** | **9,746** | **13,602** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | | | |
| Swiss Universal Bank | 453 | 432 | 468 | 885 | 911 |
| International Wealth Management | 245 | 300 | 272 | 545 | 550 |
| Asia Pacific | 206 | 264 | 367 | 470 | 832 |
| Global Markets | 154 | (198) | 391 | (44) | 1,118 |
| Investment Banking & Capital Markets | 135 | (62) | 145 | 73 | 98 |
| Strategic Resolution Unit | (759) | (1,253) | (250) | (2,012) | (554) |
| Corporate Center | (235) | 33 | 263 | (202) | 212 |
| **Income/(loss) from continuing operations before taxes** | **199** | **(484)** | **1,656** | **(285)** | **3,167** |

### Total assets

| end of | **2Q16** | 1Q16 | 4Q15 |
|---|---|---|---|
| **Total assets (CHF million)** | | | |
| Swiss Universal Bank | 224,866 | 222,653 | 220,359 |
| International Wealth Management | 90,156 | 85,766 | 96,085 |
| Asia Pacific | 92,194 | 90,218 | 85,929 |
| Global Markets | 239,419 | 237,716 | 234,276 |
| Investment Banking & Capital Markets | 22,064 | 20,772 | 18,712 |
| Strategic Resolution Unit | 98,058 | 105,286 | 100,823 |
| Corporate Center | 54,407 | 51,487 | 64,621 |
| **Total assets** | **821,164** | **813,898** | **820,805** |

## 6 Net interest income

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Net interest income (CHF million)** | | | | | |
| Loans | 1,374 | 1,389 | 1,315 | 2,763 | 2,632 |
| Investment securities | 16 | 17 | 18 | 33 | 31 |
| Trading assets | 2,292 | 2,086 | 3,330 | 4,378 | 5,283 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 710 | 704 | 679 | 1,414 | 1,329 |
| Other | 365 | 389 | 561 | 754 | 1,118 |
| Interest and dividend income | 4,757 | 4,585 | 5,903 | 9,342 | 10,393 |
| Deposits | (258) | (244) | (221) | (502) | (476) |
| Short-term borrowings | (22) | (16) | (28) | (38) | (62) |
| Trading liabilities | (1,202) | (1,024) | (1,511) | (2,226) | (2,306) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (377) | (376) | (325) | (753) | (640) |
| Long-term debt | (854) | (858) | (895) | (1,712) | (1,781) |
| Other | (45) | (56) | (54) | (101) | (107) |
| Interest expense | (2,758) | (2,574) | (3,034) | (5,332) | (5,372) |
| **Net interest income** | **1,999** | **2,011** | **2,869** | **4,010** | **5,021** |

## 7 Commissions and fees

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Commissions and fees (CHF million)** | | | | | |
| Lending business | 452 | 398 | 426 | 850 | 726 |
| Investment and portfolio management | 779 | 810 | 864 | 1,589 | 1,697 |
| Other securities business | 14 | 11 | 21 | 25 | 43 |
| Fiduciary business | 793 | 821 | 885 | 1,614 | 1,740 |
| Underwriting | 395 | 222 | 487 | 617 | 932 |
| Brokerage | 757 | 833 | 978 | 1,590 | 1,986 |
| Underwriting and brokerage | 1,152 | 1,055 | 1,465 | 2,207 | 2,918 |
| Other services | 399 | 401 | 483 | 800 | 854 |
| **Commissions and fees** | **2,796** | **2,675** | **3,259** | **5,471** | **6,238** |

## 8 Trading revenues

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Trading revenues (CHF million)** | | | | | |
| Interest rate products | 2,918 | 1,719 | 1,569 | 4,637 | 4,163 |
| Foreign exchange products | (1,566) | (582) | 340 | (2,148) | (513) |
| Equity/index-related products | (844) | (1,163) | (1,126) | (2,007) | (1,285) |
| Credit products | (734) | (534) | (111) | (1,268) | (460) |
| Commodity, emission and energy products | 16 | (3) | 28 | 13 | 18 |
| Other products | 304 | 292 | (202) | 596 | (35) |
| **Trading revenues** | **94** | **(271)** | **498** | **(177)** | **1,888** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to "Note 8 – Trading revenues" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on trading revenues and managing trading risks.

## 9 Other revenues

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Other revenues (CHF million)** | | | | | |
| Noncontrolling interests without SEI | 1 | 0 | 14 | 1 | (14) |
| Loans held-for-sale | (48) | (9) | (19) | (57) | (27) |
| Long-lived assets held-for-sale | (9) | 33 | 1 | 24 | 3 |
| Equity method investments | 46 | 49 | 51 | 95 | 97 |
| Other investments | 31 | (16) | 93 | 15 | 21 |
| Other | 198 | 166 | 189 | 364 | 375 |
| **Other revenues** | **219** | **223** | **329** | **442** | **455** |

## 10 Provision for credit losses

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | | | |
| Provision for loan losses | (13) | 126 | 36 | 113 | 67 |
| Provision for lending-related and other exposures | (15) | 24 | 15 | 9 | 14 |
| **Provision for credit losses** | **(28)** | **150** | **51** | **122** | **81** |

## 11 Compensation and benefits

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | | | |
| Salaries and variable compensation | 2,367 | 2,166 | 2,474 | 4,533 | 5,091 |
| Social security | 211 | 147 | 274 | 358 | 465 |
| Other [1] | 156 | 169 | 166 | 325 | 334 |
| **Compensation and benefits** | **2,734** | **2,482** | **2,914** | **5,216** | **5,890** |

[1] Includes pension and other post-retirement expense of CHF 80 million, CHF 79 million, CHF 82 million, CHF 159 million and CHF 172 million in 2Q16, 1Q16, 2Q15, 6M16 and 6M15, respectively.

## 12 General and administrative expenses

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | | | |
| Occupancy expenses | 242 | 248 | 250 | 490 | 493 |
| IT, machinery, etc. | 278 | 297 | 296 | 575 | 612 |
| Provisions and losses | 91 | 78 | 131 | 169 | 204 |
| Travel and entertainment | 81 | 90 | 95 | 171 | 184 |
| Professional services | 739 | 804 | 744 | 1,543 | 1,376 |
| Amortization and impairment of other intangible assets | 2 | 2 | 5 | 4 | 11 |
| Other | 327 | 329 | 407 | 656 | 786 |
| **General and administrative expenses** | **1,760** | **1,848** | **1,928** | **3,608** | **3,666** |

## 13 Restructuring expenses

In connection with the strategic review of the Group, restructuring expenses of CHF 91 million and CHF 255 million and CHF 346 million were recognized in 2Q16, 1Q16 and 6M16, respectively. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards and real estate contract termination costs.

### Restructuring expenses by segment

| in | 2Q16 | 1Q16 | 6M16 |
|---|---|---|---|
| **Restructuring expenses by segment (CHF million)** | | | |
| Swiss Universal Bank | 4 | 40 | 44 |
| International Wealth Management | 15 | 8 | 23 |
| Asia Pacific | 10 | 1 | 11 |
| Global Markets | 50 | 100 | 150 |
| Investment Banking & Capital Markets | (8) | 27 | 19 |
| Strategic Resolution Unit | 20 | 79 | 99 |
| **Total restructuring expenses** | **91** | **255** | **346** |

### Restructuring expenses by type

| in | 2Q16 | 1Q16 | 6M16 |
|---|---|---|---|
| **Restructuring expenses by type (CHF million)** | | | |
| Compensation and benefits-related expenses | 50 | 182 | 232 |
| of which severance expenses | 61 | 56 | 117 |
| of which accelerated deferred compensation | (21) | 104 | 83 |
| of which pension expenses | 10 | 22 | 32 |
| General and administrative-related expenses | 41 | 73 | 114 |
| **Total restructuring expenses** | **91** | **255** | **346** |

### Restructuring provision

| | 2Q16 | | | 1Q16 | | |
|---|---|---|---|---|---|---|
| | Compensation and benefits | General and administrative expenses | Total | Compensation and benefits | General and administrative expenses | Total |
| **Restructuring provision (CHF million)** | | | | | | |
| **Balance at beginning of period** | **193** | **87** | **280** | **187** | **12** | **199** |
| Net additional charges [1] | 61 | 41 | 102 | 56 | 73 | 129 |
| Utilization | (65) | (18) | (83) | (50) | 2 | (48) |
| **Balance at end of period** | **189** | **110** | **299** | **193** | **87** | **280** |

| | 6M16 | | |
|---|---|---|---|
| | Compensation and benefits | General and administrative-related expenses | Total |
| **Restructuring provision (CHF million)** | | | |
| **Balance at beginning of period** | **187** | **12** | **199** |
| Net additional charges | 117 | 114 | 231 [1] |
| Utilization | (115) | (16) | (131) |
| **Balance at end of period** | **189** | **110** | **299** |

[1] The following items for which expense accretion was accelerated in 2Q16, 1Q16 and 6M16 due to the restructuring of the Group are not included in the restructuring provision: unsettled share-based compensation of CHF (27) million, CHF 33 million, CHF 6 million, respectively, and unsettled pension obligations of CHF 4 million, CHF 23 million and CHF 27 million, respectively, which remain classified as a component of total shareholders' equity; and unsettled cash-based deferred compensation of CHF 12 million, CHF 70 million and CHF 82 million, respectively, which remain classified as compensation liabilities. The settlement date for the unsettled share-based compensation remains unchanged at three years.

## 14 Earnings per share

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **170** | **(302)** | **1,051** | **(132)** | **2,105** |
| Available for common shares | 167 | (302) | 1,029 | (135) | 2,060 |
| Available for unvested share-based payment awards | 3 | 0 | 22 | 3 | 45 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **170** | **(302)** | **1,051** | **(132)** | **2,105** |
| Available for common shares | 167 | (302) | 1,029 | (135) | 2,061 |
| Available for unvested share-based payment awards | 3 | 0 | 22 | 3 | 44 |
| **Weighted-average shares outstanding (million)** | | | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **2,018.4** | **1,980.7** | **1,689.7** | **1,999.6** | **1,680.0** |
| Dilutive share options and warrants | 3.7 | 0.0 | 0.9 | 0.0 | 0.9 |
| Dilutive share awards | 43.0 | 0.0 | 44.6 | 0.0 | 37.7 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares** [1] | **2,065.1** | **1,980.7** [2] | **1,735.2** | **1,999.6** [2] | **1,718.6** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **1.2** | **10.3** | **21.8** | **5.8** | **31.6** |
| **Earnings/(loss) per share available for common shares (CHF)** | | | | | |
| **Basic earnings/(loss) per share available for common shares** | **0.08** | **(0.15)** | **0.61** | **(0.07)** | **1.23** |
| **Diluted earnings/(loss) per share available for common shares** | **0.08** | **(0.15)** | **0.59** | **(0.07)** | **1.20** |

Prior periods have been adjusted to reflect the increase in the number of shares outstanding as a result of the discount element in the 2015 rights issue, as required under US GAAP.

[1] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 12.0 million, 7.5 million, 7.2 million, 9.8 million and 8.2 million for 2Q16, 1Q16, 2Q15, 6M16 and 6M15, respectively.

[2] Due to the net losses in 1Q16 and 6M16, 2.3 million and 3.0 million, respectively, of weighted-average share options and warrants outstanding and 53.7 million and 48.4 million, respectively, of weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

## 15 Trading assets and liabilities

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Trading assets (CHF million)** | | | |
| Debt securities | 66,658 | 72,864 | 80,542 |
| Equity securities | 69,814 | 73,763 | 70,961 |
| Derivative instruments [1] | 29,488 | 29,792 | 28,365 |
| Other | 11,659 | 11,131 | 10,869 |
| **Trading assets** | **177,619** | **187,550** | **190,737** |
| **Trading liabilities (CHF million)** | | | |
| Short positions | 24,634 | 28,962 | 25,485 |
| Derivative instruments [1] | 27,048 | 24,620 | 23,486 |
| **Trading liabilities** | **51,682** | **53,582** | **48,971** |

[1] Amounts shown after counterparty and cash collateral netting.

### Cash collateral on derivative instruments

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Cash collateral – netted (CHF million)** [1] | | | |
| Cash collateral paid | 39,600 | 34,413 | 31,887 |
| Cash collateral received | 28,971 | 26,246 | 21,942 |
| **Cash collateral – not netted (CHF million)** [2] | | | |
| Cash collateral paid | 10,055 | 8,121 | 7,921 |
| Cash collateral received | 12,773 | 12,625 | 13,989 |

[1] Recorded as cash collateral netting on derivative instruments in Note 22 – Offsetting of financial assets and financial liabilities.

[2] Recorded as cash collateral on derivative instruments in Note 19 – Other assets and other liabilities.

## 16 Investment securities

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Investment securities (CHF million)** | | | |
| Securities available-for-sale | 2,611 | 3,143 | 3,090 |
| **Total investment securities** | **2,611** | **3,143** | **3,090** |

### Investment securities by type

| end of | 2Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** |
| **Investment securities by type (CHF million)** | | | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 252 | 25 | 0 | 277 | 273 | 21 | 0 | 294 |
| Debt securities issued by foreign governments | 1,379 | 41 | 0 | 1,420 | 1,382 | 34 | 0 | 1,416 |
| Corporate debt securities | 283 | 0 | 0 | 283 | 285 | 0 | 0 | 285 |
| Residential mortgage-backed securities | 515 | 0 | 0 | 515 | 750 | 0 | 0 | 750 |
| Commercial mortgage-backed securities | 29 | 0 | 0 | 29 | 259 | 0 | 0 | 259 |
| Debt securities available-for-sale | 2,458 | 66 | 0 | 2,524 | 2,949 | 55 | 0 | 3,004 |
| Banks, trust and insurance companies | 66 | 21 | 0 | 87 | 65 | 20 | 0 | 85 |
| Industry and all other | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Equity securities available-for-sale | 66 | 21 | 0 | 87 | 66 | 20 | 0 | 86 |
| **Securities available-for-sale** | **2,524** | **87** | **0** | **2,611** | **3,015** | **75** | **0** | **3,090** |

There were no unrealized losses on investment securities as of the end of 2Q16 and 4Q15. No significant impairment charges were recorded as the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| in | 6M16 | | 6M15 | |
|---|---|---|---|---|
| | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | |
| Proceeds from sales | 8 | 1 | 0 | 14 |
| Realized gains | 0 | 0 | 0 | 1 |

### Amortized cost, fair value and average yield of debt securities

| | Debt securities available-for-sale | | |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **2Q16 (CHF million)** | | | |
| Due within 1 year | 385 | 385 | 0.69 |
| Due from 1 to 5 years | 1,375 | 1,420 | 0.87 |
| Due from 5 to 10 years | 145 | 164 | 1.11 |
| Due after 10 years | 553 | 555 | 5.39 |
| **Total debt securities** | **2,458** | **2,524** | **1.87** |

## 17 Loans, allowance for loan losses and credit quality

▸ Refer to "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on loans, allowance for loan losses, credit quality, value of collateral and impaired loans.

## Loans

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Loans (CHF million)** | | | |
| Mortgages | 104,394 | 103,595 | 103,164 |
| Loans collateralized by securities | 36,385 | 35,068 | 37,946 |
| Consumer finance | 3,757 | 3,575 | 3,766 |
| Consumer | 144,536 | 142,238 | 144,876 |
| Real estate | 26,218 | 26,793 | 26,451 |
| Commercial and industrial loans | 81,240 | 77,627 | 77,767 |
| Financial institutions | 18,924 | 20,672 | 21,334 |
| Governments and public institutions | 3,928 | 4,040 | 3,578 |
| Corporate & institutional | 130,310 | 129,132 | 129,130 |
| **Gross loans** | **274,846** | **271,370** | **274,006** |
| of which held at amortized cost | 254,015 | 249,849 | 253,186 |
| of which held at fair value | 20,831 | 21,521 | 20,820 |
| Net (unearned income)/deferred expenses | (148) | (160) | (145) |
| Allowance for loan losses | (863) | (962) | (866) |
| **Net loans** | **273,835** | **270,248** | **272,995** |
| **Gross loans by location (CHF million)** | | | |
| Switzerland | 158,323 | 157,319 | 155,771 |
| Foreign | 116,523 | 114,051 | 118,235 |
| **Gross loans** | **274,846** | **271,370** | **274,006** |
| **Impaired loan portfolio (CHF million)** | | | |
| Non-performing loans | 1,426 | 1,046 | 983 |
| Non-interest-earning loans | 204 | 233 | 272 |
| Non-performing and non-interest-earning loans | 1,630 | 1,279 | 1,255 |
| Restructured loans | 257 | 288 | 282 |
| Potential problem loans | 417 | 645 | 436 |
| Other impaired loans | 674 | 933 | 718 |
| **Gross impaired loans** | **2,304** | **2,212** | **1,973** |

## Allowance for loan losses by loan portfolio

| | 2Q16 | | | 1Q16 | | | 2Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **197** | **765** | **962** | **216** | **650** | **866** | **245** | **522** | **767** |
| Net movements recognized in statements of operations | 7 | (20) | (13) | 0 | 126 | 126 | 16 | 20 | 36 |
| Gross write-offs | (22) | (86) | (108) | (20) | (19) | (39) | (57) | (25) | (82) |
| Recoveries | 2 | 9 | 11 | 3 | 20 | 23 | 4 | 2 | 6 |
| Net write-offs | (20) | (77) | (97) | (17) | 1 | (16) | (53) | (23) | (76) |
| Provisions for interest | 2 | 2 | 4 | 3 | (1) | 2 | 1 | 2 | 3 |
| Foreign currency translation impact and other adjustments, net | 1 | 6 | 7 | (5) | (11) | (16) | (2) | (6) | (8) |
| **Balance at end of period** | **187** | **676** | **863** | **197** | **765** | **962** | **207** | **515** | **722** |
| of which individually evaluated for impairment | 141 | 482 | 623 | 154 | 570 | 724 | 162 | 348 | 510 |
| of which collectively evaluated for impairment | 46 | 194 | 240 | 43 | 195 | 238 | 45 | 167 | 212 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **144,514** | **109,501** | **254,015** | **142,217** | **107,632** | **249,849** | **143,711** | **107,531** | **251,242** |
| of which individually evaluated for impairment [1] | 650 | 1,654 | 2,304 | 658 | 1,554 | 2,212 | 650 | 920 | 1,570 |
| of which collectively evaluated for impairment | 143,864 | 107,847 | 251,711 | 141,559 | 106,078 | 247,637 | 143,061 | 106,611 | 249,672 |

[1] Represents gross impaired loans both with and without a specific allowance.

## Allowance for loan losses by loan portfolio (continued)

| | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | |
| **Balance at beginning of period** | **216** | **650** | **866** | **251** | **507** | **758** |
| Net movements recognized in statements of operations | 7 | 106 | 113 | 31 | 36 | 67 |
| Gross write-offs | (42) | (105) | (147) | (78) | (29) | (107) |
| Recoveries | 5 | 29 | 34 | 6 | 9 | 15 |
| Net write-offs | (37) | (76) | (113) | (72) | (20) | (92) |
| Provisions for interest | 5 | 1 | 6 | 2 | 10 | 12 |
| Foreign currency translation impact and other adjustments, net | (4) | (5) | (9) | (5) | (18) | (23) |
| **Balance at end of period** | **187** | **676** | **863** | **207** | **515** | **722** |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| in | 2Q16 | | | 1Q16 | | | 2Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 0 | 720 | 720 | 0 | 695 | 695 | 115 | 1,357 | 1,472 |
| Reclassifications from loans held-for-sale [2] | 0 | 47 | 47 | 0 | 78 | 78 | 0 | 35 | 35 |
| Reclassifications to loans held-for-sale [3] | 509 | 253 | 762 | 1,123 | 411 | 1,534 | 0 | 167 | 167 |
| Sales [3] | 0 | 30 | 30 | 0 | 0 | 0 | 0 | 134 | 134 |

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | |
| Purchases [1] | 0 | 1,415 | 1,415 | 231 | 2,348 | 2,579 |
| Reclassifications from loans held-for-sale [2] | 0 | 125 | 125 | 0 | 158 | 158 |
| Reclassifications to loans held-for-sale [3] | 1,632 | 664 | 2,296 | 0 | 373 | 373 |
| Sales [3] | 0 | 30 | 30 | 0 | 214 | 214 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

## Gross loans held at amortized cost by internal counterparty rating

| | Investment grade | Non-investment grade | | |
|---|---|---|---|---|
| end of | AAA to BBB | BB to C | D | **Total** |
| **2Q16 (CHF million)** | | | | |
| Mortgages | 91,986 | 12,171 | 237 | 104,394 |
| Loans collateralized by securities | 33,397 | 2,870 | 118 | 36,385 |
| Consumer finance | 1,317 | 2,203 | 215 | 3,735 |
| Consumer | 126,700 | 17,244 | 570 | 144,514 |
| Real estate | 19,683 | 5,802 | 88 | 25,573 |
| Commercial and industrial loans | 35,421 | 32,756 | 1,138 | 69,315 |
| Financial institutions | 10,974 | 2,486 | 136 | 13,596 |
| Governments and public institutions | 947 | 55 | 15 | 1,017 |
| Corporate & institutional | 67,025 | 41,099 | 1,377 | 109,501 |
| **Gross loans held at amortized cost** | **193,725** | **58,343** | **1,947** | **254,015** |
| Value of collateral [1] | 177,989 | 49,214 | 1,044 | 228,247 |
| **4Q15 (CHF million)** | | | | |
| Mortgages | 89,966 | 12,950 | 248 | 103,164 |
| Loans collateralized by securities | 36,129 | 1,679 | 138 | 37,946 |
| Consumer finance | 1,247 | 2,272 | 226 | 3,745 |
| Consumer | 127,342 | 16,901 | 612 | 144,855 |
| Real estate | 19,454 | 6,126 | 98 | 25,678 |
| Commercial and industrial loans | 32,995 | 32,365 | 859 | 66,219 |
| Financial institutions | 12,391 | 2,965 | 149 | 15,505 |
| Governments and public institutions | 824 | 105 | 0 | 929 |
| Corporate & institutional | 65,664 | 41,561 | 1,106 | 108,331 |
| **Gross loans held at amortized cost** | **193,006** | **58,462** | **1,718** | **253,186** |
| Value of collateral [1] | 178,649 | 48,422 | 1,063 | 228,134 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, the value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Group's risk management policies and directives, with maximum review periods determined by property type, market liquidity, market transparency and appraisal cost.

## Gross loans held at amortized cost – aging analysis

| | Current | Past due | | | | |
|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31–60 days | 61–90 days | More than 90 days | Total | **Total** |
| **2Q16 (CHF million)** | | | | | | | |
| Mortgages | 103,969 | 160 | 23 | 9 | 233 | 425 | 104,394 |
| Loans collateralized by securities | 36,058 | 166 | 28 | 7 | 126 | 327 | 36,385 |
| Consumer finance | 3,168 | 302 | 39 | 37 | 189 | 567 | 3,735 |
| Consumer | 143,195 | 628 | 90 | 53 | 548 | 1,319 | 144,514 |
| Real estate | 25,424 | 76 | 6 | 0 | 67 | 149 | 25,573 |
| Commercial and industrial loans | 67,508 | 742 | 89 | 225 | 751 | 1,807 | 69,315 |
| Financial institutions | 13,331 | 126 | 13 | 0 | 126 | 265 | 13,596 |
| Governments and public institutions | 1,011 | 6 | 0 | 0 | 0 | 6 | 1,017 |
| Corporate & institutional | 107,274 | 950 | 108 | 225 | 944 | 2,227 | 109,501 |
| **Gross loans held at amortized cost** | **250,469** | **1,578** | **198** | **278** | **1,492** | **3,546** | **254,015** |
| **4Q15 (CHF million)** | | | | | | | |
| Mortgages | 102,895 | 80 | 17 | 10 | 162 | 269 | 103,164 |
| Loans collateralized by securities | 37,589 | 214 | 7 | 1 | 135 | 357 | 37,946 |
| Consumer finance | 3,321 | 176 | 36 | 33 | 179 | 424 | 3,745 |
| Consumer | 143,805 | 470 | 60 | 44 | 476 | 1,050 | 144,855 |
| Real estate | 25,595 | 24 | 3 | 1 | 55 | 83 | 25,678 |
| Commercial and industrial loans | 65,129 | 507 | 109 | 69 | 405 | 1,090 | 66,219 |
| Financial institutions | 15,259 | 90 | 45 | 2 | 109 | 246 | 15,505 |
| Governments and public institutions | 928 | 1 | 0 | 0 | 0 | 1 | 929 |
| Corporate & institutional | 106,911 | 622 | 157 | 72 | 569 | 1,420 | 108,331 |
| **Gross loans held at amortized cost** | **250,716** | **1,092** | **217** | **116** | **1,045** | **2,470** | **253,186** |

## Gross impaired loans by category

| | Non-performing and non-interest-earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing | Non-interest-earning | Total | Re-structured | Potential problem | Total | **Total** |
| **2Q16 (CHF million)** | | | | | | | |
| Mortgages | 236 | 9 | 245 | 13 | 48 | 61 | 306 [1] |
| Loans collateralized by securities | 122 | 5 | 127 | 0 | 0 | 0 | 127 |
| Consumer finance | 189 | 27 | 216 | 0 | 1 | 1 | 217 |
| Consumer | 547 | 41 | 588 | 13 | 49 | 62 | 650 |
| Real estate | 77 | 4 | 81 | 0 | 23 | 23 | 104 |
| Commercial and industrial loans | 719 | 109 | 828 | 244 | 302 | 546 | 1,374 |
| Financial institutions | 83 | 50 | 133 | 0 | 28 | 28 | 161 |
| Governments and public institutions | 0 | 0 | 0 | 0 | 15 | 15 | 15 |
| Corporate & institutional | 879 | 163 | 1,042 | 244 | 368 | 612 | 1,654 |
| **Gross impaired loans** | **1,426** | **204** | **1,630** | **257** | **417** | **674** | **2,304** |
| **4Q15 (CHF million)** | | | | | | | |
| Mortgages | 197 | 17 | 214 | 18 | 49 | 67 | 281 [1] |
| Loans collateralized by securities | 108 | 27 | 135 | 0 | 3 | 3 | 138 |
| Consumer finance | 204 | 23 | 227 | 0 | 1 | 1 | 228 |
| Consumer | 509 | 67 | 576 | 18 | 53 | 71 | 647 |
| Real estate | 53 | 19 | 72 | 0 | 29 | 29 | 101 |
| Commercial and industrial loans | 333 | 136 | 469 | 263 | 319 | 582 | 1,051 |
| Financial institutions | 88 | 50 | 138 | 1 | 35 | 36 | 174 |
| Corporate & institutional | 474 | 205 | 679 | 264 | 383 | 647 | 1,326 |
| **Gross impaired loans** | **983** | **272** | **1,255** | **282** | **436** | **718** | **1,973** |

[1] As of the end of 2Q16 and 4Q15, CHF 72 million and CHF 68 million, respectively, were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

## Gross impaired loan detail

| end of | 2Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 198 | 185 | 22 | 209 | 196 | 26 |
| Loans collateralized by securities | 124 | 116 | 8 | 117 | 112 | 15 |
| Consumer finance | 210 | 189 | 111 | 221 | 201 | 129 |
| Consumer | 532 | 490 | 141 | 547 | 509 | 170 |
| Real estate | 80 | 75 | 10 | 76 | 72 | 10 |
| Commercial and industrial loans | 978 | 958 | 406 | 815 | 796 | 387 |
| Financial institutions | 161 | 154 | 66 | 172 | 166 | 83 |
| Corporate & institutional | 1,219 | 1,187 | 482 | 1,063 | 1,034 | 480 |
| **Gross impaired loans with a specific allowance** | **1,751** | **1,677** | **623** | **1,610** | **1,543** | **650** |
| Mortgages | 108 | 108 | – | 72 | 71 | – |
| Loans collateralized by securities | 3 | 3 | – | 21 | 22 | – |
| Consumer finance | 7 | 7 | – | 7 | 7 | – |
| Consumer | 118 | 118 | – | 100 | 100 | – |
| Real estate | 24 | 24 | – | 25 | 25 | – |
| Commercial and industrial loans | 396 | 396 | – | 236 | 236 | – |
| Financial institutions | 0 | 0 | – | 2 | 2 | – |
| Governments and public institutions | 15 | 15 | – | 0 | 0 | – |
| Corporate & institutional | 435 | 435 | – | 263 | 263 | – |
| **Gross impaired loans without specific allowance** | **553** | **553** | **–** | **363** | **363** | **–** |
| **Gross impaired loans** | **2,304** | **2,230** | **623** | **1,973** | **1,906** | **650** |
| of which consumer | 650 | 608 | 141 | 647 | 609 | 170 |
| of which corporate & institutional | 1,654 | 1,622 | 482 | 1,326 | 1,297 | 480 |

## Gross impaired loan detail (continued)

| in | 2Q16 | | | 1Q16 | | | 2Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 185 | 1 | 1 | 197 | 0 | 0 | 177 | 1 | 1 |
| Loans collateralized by securities | 121 | 0 | 0 | 113 | 0 | 0 | 39 | 0 | 0 |
| Consumer finance | 203 | 0 | 0 | 216 | 0 | 0 | 225 | 1 | 1 |
| Consumer | 509 | 1 | 1 | 526 | 0 | 0 | 441 | 2 | 2 |
| Real estate | 66 | 0 | 0 | 76 | 0 | 0 | 65 | 0 | 0 |
| Commercial and industrial loans | 1,034 | 2 | 0 | 902 | 3 | 1 | 597 | 2 | 1 |
| Financial institutions | 164 | 1 | 0 | 168 | 0 | 0 | 147 | 0 | 0 |
| Governments and public institutions | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 1,269 | 3 | 0 | 1,146 | 3 | 1 | 809 | 2 | 1 |
| **Gross impaired loans with a specific allowance** | **1,778** | **4** | **1** | **1,672** | **3** | **1** | **1,250** | **4** | **3** |
| Mortgages | 102 | 1 | 0 | 76 | 1 | 0 | 64 | 1 | 0 |
| Loans collateralized by securities | 18 | 0 | 0 | 25 | 0 | 0 | 42 | 1 | 0 |
| Consumer finance | 23 | 0 | 0 | 7 | 0 | 0 | 7 | 0 | 0 |
| Consumer | 143 | 1 | 0 | 108 | 1 | 0 | 113 | 2 | 0 |
| Real estate | 47 | 0 | 0 | 29 | 0 | 0 | 13 | 0 | 0 |
| Commercial and industrial loans | 307 | 1 | 0 | 219 | 2 | 0 | 35 | 0 | 0 |
| Financial institutions | 0 | 0 | 0 | 3 | 0 | 0 | 1 | 0 | 0 |
| Governments and public institutions | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 362 | 1 | 0 | 251 | 2 | 0 | 49 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **505** | **2** | **0** | **359** | **3** | **0** | **162** | **2** | **0** |
| **Gross impaired loans** | **2,283** | **6** | **1** | **2,031** | **6** | **1** | **1,412** | **6** | **3** |
| of which consumer | 652 | 2 | 1 | 634 | 1 | 0 | 554 | 4 | 2 |
| of which corporate & institutional | 1,631 | 4 | 0 | 1,397 | 5 | 1 | 858 | 2 | 1 |

## Gross impaired loan detail (continued)

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 191 | 1 | 1 | 179 | 1 | 1 |
| Loans collateralized by securities | 118 | 0 | 0 | 49 | 0 | 0 |
| Consumer finance | 210 | 0 | 0 | 226 | 1 | 1 |
| Consumer | 519 | 1 | 1 | 454 | 2 | 2 |
| Real estate | 71 | 0 | 0 | 65 | 0 | 0 |
| Commercial and industrial loans | 976 | 5 | 1 | 573 | 3 | 2 |
| Financial institutions | 167 | 1 | 0 | 141 | 1 | 1 |
| Governments and public institutions | 2 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 1,216 | 6 | 1 | 779 | 4 | 3 |
| **Gross impaired loans with a specific allowance** | **1,735** | **7** | **2** | **1,233** | **6** | **5** |
| Mortgages | 88 | 2 | 0 | 57 | 1 | 0 |
| Loans collateralized by securities | 22 | 0 | 0 | 32 | 1 | 0 |
| Consumer finance | 15 | 0 | 0 | 7 | 0 | 0 |
| Consumer | 125 | 2 | 0 | 96 | 2 | 0 |
| Real estate | 37 | 0 | 0 | 10 | 0 | 0 |
| Commercial and industrial loans | 267 | 3 | 0 | 24 | 0 | 0 |
| Financial institutions | 2 | 0 | 0 | 1 | 0 | 0 |
| Governments and public institutions | 4 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 310 | 3 | 0 | 35 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **435** | **5** | **0** | **131** | **2** | **0** |
| **Gross impaired loans** | **2,170** | **12** | **2** | **1,364** | **8** | **5** |
| of which consumer | 644 | 3 | 1 | 550 | 4 | 2 |
| of which corporate & institutional | 1,526 | 9 | 1 | 814 | 4 | 3 |

## Restructured loans held at amortized cost

| in | 2Q16 | | | 1Q16 | | | 2Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | | | | |
| Commercial and industrial loans | 3 | 44 | 44 | 5 | 15 | 15 | 2 | 21 | 21 |
| **Total** | **3** | **44** | **44** | **5** | **15** | **15** | **2** | **21** | **21** |

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | |
| Commercial and industrial loans | 8 | 59 | 59 | 4 | 92 | 99 |
| **Total** | **8** | **59** | **59** | **4** | **92** | **99** |

In 2Q15 and 6M15, respectively, the Group reported the default of one loan within commercial and industrial loans with a recorded investment amount of CHF 65 million, which had been restructured within the previous 12 months. In 2Q16, 1Q16 and 6M16, the Group did not experience a default on any loan that had been restructured within the previous 12 months.

In 6M16, the loan modifications of the Group included extended repayment terms, including the suspension of annual contractual credit limit reductions, cash margin requirements on new trade finance transactions, waiver of covenants, release of corporate guarantees and waiver of interest.

## 18 Goodwill

### Goodwill

| 2Q16 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Credit Suisse Group |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **603** | **1,523** | **2,258** | **3,172** | **1,011** | **12** | **8,579** |
| Foreign currency translation impact | 6 | 17 | 19 | 6 | 9 | 0 | **57** |
| **Balance at end of period** | **609** | **1,540** | **2,277** | **3,178** | **1,020** | **12** | **8,636** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Balance at end of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **609** | **1,540** | **1,505** | **459** | **632** | **0** | **4,745** |

| 6M16 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Credit Suisse Group |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **610** | **1,573** | **2,294** | **3,183** | **1,027** | **12** | **8,699** |
| Goodwill acquired during the year | 5 | 0 | 0 | 0 | 0 | 0 | **5** |
| Foreign currency translation impact | (5) | (28) | (16) | (5) | (7) | 0 | **(61)** |
| Other | (1) | (5) | (1) | 0 | 0 | 0 | **(7)** |
| **Balance at end of period** | **609** | **1,540** | **2,277** | **3,178** | **1,020** | **12** | **8,636** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Balance at end of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **609** | **1,540** | **1,505** | **459** | **632** | **0** | **4,745** |

In accordance with US GAAP, the Group continually assesses whether or not there has been a triggering event requiring a review of goodwill. As of June 30, 2016, the Group's market capitalization was below book value.

On March 23, 2016, the Group announced a number of strategy measures affecting its Global Markets and Strategic Resolution Unit segments, including business exits and other business reductions in Global Markets. During 2Q16, these strategy measures were implemented together with additional actions that also impacted the Group's other business segments. The Group determined that these changes constituted triggering events. The Group's reporting units were not changed as a result of this announcement and remain defined as follows: Swiss Universal Bank – Private Banking, Swiss Universal Bank – Corporate & Institutional Banking, International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Private Banking, Asia Pacific – Investment Banking, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit.

The carrying value of each reporting unit for purposes of the goodwill impairment test is determined by considering the reporting units' risk-weighted assets usage, leverage ratio exposure, deferred tax assets, goodwill and intangible assets. Any residual equity, after considering the total of these elements, is allocated to the reporting units on a pro-rata basis.

In estimating the fair value of its reporting units, the Group applied a combination of the market approach and income approach. Under the market approach, consideration was given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows, which are determined from the Group's financial plan.

In determining the estimated fair value, the Group relied upon its updated five-year strategic business plan which included significant management assumptions and estimates based on its view of current and future economic conditions and regulatory changes.

Goodwill is tested for impairment before and immediately after a reorganization or restructuring of reporting units. As a result, the goodwill impairment test was performed as of March 31, 2016 under the old business structure and then again under the modified structure according to the announcement on March 23, 2016. The goodwill impairment analysis performed as of June 30, 2016 considered the impact from the additional actions in 2Q16 and the

Group concluded that the estimated fair value for all of its reporting units with goodwill substantially exceeded their related carrying values and that no impairment was necessary.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets reporting unit as of March 31, 2016. The valuations were also performed using a combination of the market approach and income approach.

The results of the impairment evaluation of each reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a significant margin from its best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, the Group could potentially incur material impairment charges in the future.

## 19 Other assets and other liabilities

| end of | **2Q16** | 1Q16 | 4Q15 |
|---|---|---|---|
| **Other assets (CHF million)** | | | |
| Cash collateral on derivative instruments | 10,055 | 8,121 | 7,921 |
| Cash collateral on non-derivative transactions | 987 | 412 | 327 |
| Derivative instruments used for hedging | 168 | 294 | 186 |
| Assets held-for-sale | 12,972 | 13,187 | 26,061 |
| of which loans [1] | 12,782 | 12,981 | 25,839 |
| of which real estate [2] | 161 | 171 | 182 |
| of which long-lived assets | 29 | 35 | 40 |
| Assets held for separate accounts | 625 | 907 | 1,307 |
| Interest and fees receivable | 5,370 | 5,196 | 5,658 |
| Deferred tax assets | 6,319 | 6,341 | 6,179 |
| Prepaid expenses | 528 | 520 | 448 |
| Failed purchases | 2,923 | 2,885 | 2,770 |
| Other | 6,336 | 6,764 | 7,160 |
| **Other assets** | **46,283** | **44,627** | **58,017** |
| **Other liabilities (CHF million)** | | | |
| Cash collateral on derivative instruments | 12,773 | 12,625 | 13,989 |
| Cash collateral on non-derivative transactions | 360 | 420 | 518 |
| Derivative instruments used for hedging | 303 | 235 | 110 |
| Deposits held-for-sale | 2,420 | 2,690 | 0 |
| Provisions | 1,532 | 1,644 | 1,851 |
| of which off-balance sheet risk | 95 | 108 | 88 |
| Restructuring liabilities | 299 | 280 | 199 |
| Liabilities held for separate accounts | 625 | 907 | 1,307 |
| Interest and fees payable | 6,225 | 5,231 | 6,011 |
| Current tax liabilities | 757 | 841 | 608 |
| Deferred tax liabilities | 48 | 50 | 54 |
| Failed sales | 1,102 | 1,378 | 1,551 |
| Other | 13,081 | 14,014 | 16,033 |
| **Other liabilities** | **39,525** | **40,315** | **42,231** |

[1] Included as of the end of 2Q16, 1Q16 and 4Q15 were CHF 802 million, CHF 968 million and CHF 1,135 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 72 million, CHF 73 million and CHF 60 million, respectively, in loans held in trusts, which were consolidated as a result of failed sales under US GAAP.

[2] As of the end of 2Q16, 1Q16 and 4Q15, real estate held-for-sale included foreclosed or repossessed real estate of CHF 21 million, CHF 35 million and CHF 31 million, respectively, of which CHF 13 million, CHF 6 million and CHF 3 million, respectively were related to residential real estate.

## 20 Long-term debt

### Long-term debt

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Long-term debt (CHF million)** | | | |
| Senior | 174,394 | 157,849 | 157,986 |
| Subordinated | 24,052 | 23,494 | 24,796 |
| Non-recourse liabilities from consolidated VIEs | 1,780 | 2,147 | 14,826 |
| **Long-term debt** | **200,226** | **183,490** | **197,608** |
| of which reported at fair value | 73,922 | 69,104 | 80,931 |
| of which structured notes | 60,446 | 55,006 | 54,848 |

### Structured notes by product

| end of | 2Q16 | 1Q16 | 4Q15 |
|---|---|---|---|
| **Structured notes (CHF million)** | | | |
| Equity | 35,490 | 33,421 | 35,594 |
| Fixed income | 16,398 | 13,805 | 11,534 |
| Credit | 5,618 | 5,505 | 5,261 |
| Other | 2,940 | 2,275 | 2,459 |
| **Total structured notes** | **60,446** | **55,006** | **54,848** |

## 21 Accumulated other comprehensive income and additional share information

### Accumulated other comprehensive income/(loss)

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | Gains/ (losses) on liabilities relating to credit risk | **Accumulated other comprehensive income/ (loss)** |
|---|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **31** | **(13,452)** | **65** | **(4,567)** | **579** | **1,741** | **(15,603)** |
| Increase/(decrease) | 26 | 322 | 2 | 0 | 0 | (69) | 281 |
| Increase/(decrease) due to equity method investments | (3) | 0 | 0 | 0 | 0 | 0 | (3) |
| Reclassification adjustments, included in net income/(loss) | (3) | 9 | 0 | 82 | (25) | 0 | 63 |
| Total increase/(decrease) | 20 | 331 | 2 | 82 | (25) | (69) | 341 |
| **Balance at end of period** | **51** | **(13,121)** | **67** | **(4,485)** | **554** | **1,672** | **(15,262)** |
| **1Q16 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(15)** | **(12,615)** | **60** | **(4,672)** | **607** | **–** | **(16,635)** |
| Increase/(decrease) | 47 | (886) | 5 | 22 | 0 | 1,266 | 454 |
| Increase/(decrease) due to equity method investments | (3) | 0 | 0 | 0 | 0 | 0 | (3) |
| Reclassification adjustments, included in net income/(loss) | 2 | 49 | 0 | 83 | (28) | 0 | 106 |
| Cumulative effect of accounting changes, net of tax | 0 | 0 | 0 | 0 | 0 | 475 | 475 |
| Total increase/(decrease) | 46 | (837) | 5 | 105 | (28) | 1,741 | 1,032 |
| **Balance at end of period** | **31** | **(13,452)** | **65** | **(4,567)** | **579** | **1,741** | **(15,603)** |
| **2Q15 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(23)** | **(12,947)** | **74** | **(3,921)** | **431** | **–** | **(16,386)** |
| Increase/(decrease) | 25 | (1,027) | (11) | 6 | 0 | – | (1,007) |
| Increase/(decrease) due to equity method investments | (1) | 0 | 0 | 0 | 0 | – | (1) |
| Reclassification adjustments, included in net income/(loss) | 7 | 4 | (1) | 86 | (22) | – | 74 |
| Total increase/(decrease) | 31 | (1,023) | (12) | 92 | (22) | – | (934) |
| **Balance at end of period** | **8** | **(13,970)** | **62** | **(3,829)** | **409** | **–** | **(17,320)** |
| **6M16 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(15)** | **(12,615)** | **60** | **(4,672)** | **607** | **–** | **(16,635)** |
| Increase/(decrease) | 73 | (564) | 7 | 22 | 0 | 1,197 | 735 |
| Increase/(decrease) due to equity method investments | (6) | 0 | 0 | 0 | 0 | 0 | (6) |
| Reclassification adjustments, included in net income/(loss) | (1) | 58 | 0 | 165 | (53) | 0 | 169 |
| Cumulative effect of accounting changes, net of tax | 0 | 0 | 0 | 0 | 0 | 475 | 475 |
| Total increase/(decrease) | 66 | (506) | 7 | 187 | (53) | 1,672 | 1,373 |
| **Balance at end of period** | **51** | **(13,121)** | **67** | **(4,485)** | **554** | **1,672** | **(15,262)** |
| **6M15 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(31)** | **(11,478)** | **64** | **(4,010)** | **452** | **–** | **(15,003)** |
| Increase/(decrease) | 43 | (2,498) | (1) | 7 | 0 | – | (2,449) |
| Increase/(decrease) due to equity method investments | (17) | 0 | 0 | 0 | 0 | – | (17) |
| Reclassification adjustments, included in net income/(loss) | 13 | 6 | (1) | 174 | (43) | – | 149 |
| Total increase/(decrease) | 39 | (2,492) | (2) | 181 | (43) | – | (2,317) |
| **Balance at end of period** | **8** | **(13,970)** | **62** | **(3,829)** | **409** | **–** | **(17,320)** |

## Details on significant reclassification adjustments

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Reclassification adjustments, included in net income/(loss) (CHF million)** | | | | | |
| **Cumulative translation adjustments** | | | | | |
| Reclassification adjustments [1] | **9** | **49** | **4** | **58** | **6** |
| **Actuarial gains/(losses)** | | | | | |
| Amortization of recognized actuarial losses [2] | 105 | 107 | 110 | 212 | 222 |
| Tax expense/(benefit) | (23) | (24) | (24) | (47) | (48) |
| **Net of tax** | **82** | **83** | **86** | **165** | **174** |
| **Net prior service credit/(cost)** | | | | | |
| Amortization of recognized prior service credit/(cost) [2] | (32) | (36) | (29) | (68) | (57) |
| Tax expense | 7 | 8 | 7 | 15 | 14 |
| **Net of tax** | **(25)** | **(28)** | **(22)** | **(53)** | **(43)** |

[1] Includes net releases of CHF 3 million and CHF 52 million on the sale of Credit Suisse (Gibraltar) Limited in 2Q16 and 1Q16, respectively. These were reclassified from cumulative translation adjustments and included in net income in other revenues.
[2] These components are included in the computation of total benefit costs. Refer to "Note 25 – Pension and other post-retirement benefits" for further information.

## Additional share information

| | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Common shares issued** | | | | | |
| **Balance at beginning of period** | **1,957,379,244** | **1,957,379,244** | **1,607,168,947** | **1,957,379,244** | **1,607,168,947** |
| Issuance of common shares | 132,518,134 | 0 | 31,226,399 | 132,518,134 | 31,226,399 |
| of which share-based compensation | 30,000,000 | 0 | 0 | 30,000,000 | 0 |
| **Balance at end of period** | **2,089,897,378** | **1,957,379,244** | **1,638,395,346** | **2,089,897,378** | **1,638,395,346** |
| **Treasury shares** | | | | | |
| **Balance at beginning of period** | **(10,939,863)** | **(5,910,224)** | **(43,695,094)** | **(5,910,224)** | **(7,666,658)** |
| Sale of treasury shares | 474,842,916 | 190,347,314 | 220,985,925 | 665,190,230 | 301,511,352 |
| Repurchase of treasury shares | (482,072,771) | (196,089,371) | (224,833,683) | (678,162,142) | (342,146,721) |
| Share-based compensation | 9,636,105 | 712,418 | 41,575,944 | 10,348,523 | 42,335,119 |
| **Balance at end of period** | **(8,533,613)** | **(10,939,863)** | **(5,966,908)** | **(8,533,613)** | **(5,966,908)** |
| **Common shares outstanding** | | | | | |
| **Balance at end of period** | **2,081,363,765** [1] | **1,946,439,381** [2] | **1,632,428,438** [3] | **2,081,363,765** [1] | **1,632,428,438** [3] |

[1] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 653,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 518,996,021 of these shares were reserved for capital instruments.
[2] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 515,145,579 of these shares were reserved for capital instruments.
[3] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.

## 22 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:

- are offset in the Group's consolidated balance sheets; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

**Derivatives**

The Group transacts bilateral OTC derivatives mainly under the International Swaps and Derivatives Association (ISDA) Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Group to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values (NRV) and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Exchange-traded derivatives or OTC-cleared derivatives, that are fully margined and for which the daily margin payments constitute settlement of the outstanding exposure, are not included in the offsetting disclosures because they are not subject to offsetting due to the daily settlement. The daily margin payments, which are not settled until the next settlement cycle is conducted, are presented in brokerage receivables or brokerage payables. The notional amount for these daily settled derivatives is included in the fair value of derivative instruments table in "Note 26 – Derivatives and hedging activities".

Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and trading liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of derivatives

| end of | 2Q16 | | 4Q15 | |
|---|---|---|---|---|
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 28.1 | 24.0 | 15.7 | 14.5 |
| OTC | 191.8 | 187.5 | 153.0 | 146.5 |
| Exchange-traded | 0.1 | 0.2 | 0.0 | 0.0 |
| **Interest rate products** | **220.0** | **211.7** | **168.7** | **161.0** |
| OTC-cleared | 0.1 | 0.3 | 0.0 | 0.0 |
| OTC | 58.9 | 70.0 | 58.1 | 68.2 |
| Exchange-traded | 0.5 | 0.1 | 0.3 | 0.3 |
| **Foreign exchange products** | **59.5** | **70.4** | **58.4** | **68.5** |
| OTC-cleared | 0.1 | 0.3 | 0.0 | 0.0 |
| OTC | 11.6 | 13.8 | 12.0 | 13.3 |
| Exchange-traded | 12.2 | 15.2 | 8.9 | 11.2 |
| **Equity/index-related products** | **23.9** | **29.3** | **20.9** | **24.5** |
| OTC-cleared | 1.8 | 2.1 | 3.8 | 4.0 |
| OTC | 11.6 | 11.5 | 13.5 | 12.4 |
| **Credit derivatives** | **13.4** | **13.6** | **17.3** | **16.4** |
| OTC-cleared | 0.1 | 0.0 | 0.0 | 0.0 |
| OTC | 2.2 | 1.3 | 2.6 | 1.5 |
| Exchange-traded | 0.0 | 0.0 | 0.1 | 0.1 |
| **Other products** | **2.3** | **1.3** | **2.7** | **1.6** |
| OTC-cleared | 30.2 | 26.7 | 19.5 | 18.5 |
| OTC | 276.1 | 284.1 | 239.2 | 241.9 |
| Exchange-traded | 12.8 | 15.5 | 9.3 | 11.6 |
| **Total gross derivatives subject to enforceable master netting agreements** | **319.1** | **326.3** | **268.0** | **272.0** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (27.4) | (26.2) | (19.0) | (18.5) |
| OTC | (255.2) | (265.7) | (217.1) | (226.5) |
| Exchange-traded | (12.1) | (13.4) | (9.0) | (9.9) |
| **Offsetting** | **(294.7)** | **(305.3)** | **(245.1)** | **(254.9)** |
| of which counterparty netting | (265.7) | (265.7) | (223.0) | (223.0) |
| of which cash collateral netting | (29.0) | (39.6) | (22.1) | (31.9) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 2.8 | 0.5 | 0.5 | 0.0 |
| OTC | 20.9 | 18.4 | 22.1 | 15.4 |
| Exchange-traded | 0.7 | 2.1 | 0.3 | 1.7 |
| **Total net derivatives subject to enforceable master netting agreements** | **24.4** | **21.0** | **22.9** | **17.1** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **5.3** | **6.3** | **5.7** | **6.5** |
| **Total net derivatives presented in the consolidated balance sheets** | **29.7** | **27.3** | **28.6** | **23.6** |
| of which recorded in trading assets and trading liabilities | 29.5 | 27.0 | 28.4 | 23.5 |
| of which recorded in other assets and other liabilities | 0.2 | 0.3 | 0.2 | 0.1 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

**Reverse repurchase and repurchase agreements and securities lending and borrowing transactions**

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Transactions under such agreements are netted in the consolidated balance sheets if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheets if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheets. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheets.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of June 30, 2016 and December 31, 2015. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

**Offsetting of securities purchased under resale agreements and securities borrowing transactions**

| end of | 2Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | **Net** | Gross | Offsetting | **Net** |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 80.7 | (17.7) | 63.0 | 92.0 | (19.6) | 72.4 |
| Securities borrowing transactions | 24.2 | (4.6) | 19.6 | 21.4 | (3.9) | 17.5 |
| **Total subject to enforceable master netting agreements** | **104.9** | **(22.3)** | **82.6** | **113.4** | **(23.5)** | **89.9** |
| **Total not subject to enforceable master netting agreements** [1] | **39.5** | **–** | **39.5** | **33.1** | **–** | **33.1** |
| **Total** | **144.4** | **(22.3)** | **122.1** [2] | **146.5** | **(23.5)** | **123.0** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

[2] CHF 79,927 million and CHF 83,565 million of the total net amount as of the end of 2Q16 and 4Q15, respectively, are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

### Offsetting of securities sold under repurchase agreements and securities lending transactions

| end of | 2Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | **Net** | Gross | Offsetting | **Net** |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 42.1 | (19.5) | 22.6 | 43.2 | (21.4) | 21.8 |
| Securities lending transactions | 8.9 | (2.8) | 6.1 | 9.8 | (2.1) | 7.7 |
| Obligation to return securities received as collateral, at fair value | 16.9 | 0.0 | 16.9 | 19.4 | 0.0 | 19.4 |
| **Total subject to enforceable master netting agreements** | **67.9** | **(22.3)** | **45.6** | **72.4** | **(23.5)** | **48.9** |
| **Total not subject to enforceable master netting agreements** [1] | **12.9** | **–** | **12.9** | **26.2** | **–** | **26.2** |
| **Total** | **80.8** | **(22.3)** | **58.5** | **98.6** | **(23.5)** | **75.1** |
| of which securities sold under repurchase agreements and securities lending transactions | 54.8 | (22.3) | 32.5 [2] | 70.1 | (23.5) | 46.6 [2] |
| of which obligation to return securities received as collateral, at fair value | 26.0 | 0.0 | 26.0 | 28.5 | 0.0 | 28.5 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

[2] CHF 18,114 million and CHF 32,398 million of the total net amount as of the end of 2Q16 and 4Q15, respectively, are reported at fair value.

The following table presents the net amount presented in the consolidated balance sheets of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheets. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

### Amounts not offset in the consolidated balance sheets

| end of | 2Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 24.4 | 6.1 | 0.1 | 18.2 | 22.9 | 6.2 | 0.8 | 15.9 |
| Securities purchased under resale agreements | 63.0 | 63.0 | 0.0 | 0.0 | 72.4 | 72.4 | 0.0 | 0.0 |
| Securities borrowing transactions | 19.6 | 19.1 | 0.0 | 0.5 | 17.5 | 17.1 | 0.0 | 0.4 |
| **Total financial assets subject to enforceable master netting agreements** | **107.0** | **88.2** | **0.1** | **18.7** | **112.8** | **95.7** | **0.8** | **16.3** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 21.0 | 5.6 | 0.0 | 15.4 | 17.1 | 3.4 | 0.0 | 13.7 |
| Securities sold under repurchase agreements | 22.6 | 22.6 | 0.0 | 0.0 | 21.8 | 21.8 | 0.0 | 0.0 |
| Securities lending transactions | 6.1 | 6.0 | 0.0 | 0.1 | 7.7 | 7.4 | 0.0 | 0.3 |
| Obligation to return securities received as collateral, at fair value | 16.9 | 16.4 | 0.0 | 0.5 | 19.4 | 18.5 | 0.0 | 0.9 |
| **Total financial liabilities subject to enforceable master netting agreements** | **66.6** | **50.6** | **0.0** | **16.0** | **66.0** | **51.1** | **0.0** | **14.9** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of credit default swaps (CDS) and credit insurance contracts. Therefore, the net exposure presented in the table above is not representative of the Group's counterparty exposure.

## 23 Tax

The income tax expense of CHF 21 million recorded in 2Q16 mainly reflected the impact of the geographical mix of results.

The quarterly income tax expense includes the impact of the continuous reassessment of the estimated annual effective tax rate as well as the impact of items that need to be recorded in the specific interim period in which they occur.

Net deferred tax assets related to net operating losses, net deferred tax assets on temporary differences and net deferred tax liabilities are presented in the following manner. Nettable gross deferred tax liabilities are allocated on a pro-rata basis to gross deferred tax assets on net operating losses and gross deferred tax assets on temporary differences. This approach is aligned with the underlying treatment of netting gross deferred tax assets and liabilities under the Basel III framework. Valuation allowances have been allocated against such deferred tax assets on net operating losses first with any remainder allocated to such deferred tax assets on temporary differences. This presentation is considered the most appropriate disclosure given the underlying nature of the gross deferred tax balances.

As of June 30, 2016, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 4.7 billion which are considered indefinitely reinvested. The Group would need to accrue and pay taxes on these undistributed earnings if such earnings were repatriated. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date. It is reasonably possible that there will be a decrease between zero and CHF 7 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Japan – 2012; Switzerland – 2011; Brazil – 2010; the US – 2010; the UK – 2009; and the Netherlands – 2005.

### Effective tax rate

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Effective tax rate (%)** | **10.6** | 37.0 | 35.6 | **55.4** | 33.7 |

### Tax expense reconciliation

| in | 2Q16 |
|---|---|
| CHF million | |
| **Income tax expense computed at the Swiss statutory tax rate of 22%** | **44** |
| Increase/(decrease) in income taxes resulting from | |
| Foreign tax rate differential | 63 |
| Other non-deductible expenses | (109) |
| Changes in deferred tax valuation allowance | (46) |
| Lower taxed income | 60 |
| Change in recognition of outside basis difference | 145 |
| Other | (136) |
| **Income tax expense** | **21** |

### Foreign tax rate differential

2Q16 included a foreign tax expense of CHF 63 million in respect of earnings in higher tax jurisdictions, such as the US, as well as earnings in lower tax jurisdictions, such as Singapore.

### Other non-deductible expenses

2Q16 included the reversal of the over-accrual of non-deductible interest expenses of CHF 81 million and non-deductible bank levy costs and other non-deductible expenses of CHF 28 million.

### Changes in deferred tax valuation allowance

2Q16 included the impact of the decrease of valuation allowances of CHF 61 million mainly in respect of two of the Group's operating entities, both in the UK, and an increase of valuation allowances of CHF 15 million mainly in respect of one of the Group's operating entities in Switzerland, related to estimated current year earnings.

### Lower taxed income

2Q16 included the partial reversal of the previously reported impacts of a beneficial earnings mix in one of the Group's operating entities in Switzerland of CHF 22 million, CHF 16 million related to non-taxable life insurance income, CHF 12 million related to exempt income and CHF 10 million relating to non-taxable foreign exchange gains.

### Change in recognition of outside basis difference

2Q16 included a CHF 145 million income tax expense related to a change in the outside basis difference relating to Swiss subsidiary investments.

### Other

2Q16 included a tax benefit of CHF 95 million relating to the reassessment of deferred tax balances in one of the Group's operating entities in Switzerland, a tax benefit of CHF 41 million from the reduction in own-credit revaluation gains, a tax benefit of CHF 15 million from prior year adjustments and a tax benefit of CHF 8 million relating to the decrease of tax contingency accruals. The remaining balance included various smaller items.

### Net deferred tax assets

| end of | 2Q16 | 1Q16 |
|---|---|---|
| **Net deferred tax assets (CHF million)** | | |
| Deferred tax assets | 6,319 | 6,341 |
| of which net operating losses | 2,594 | 2,348 |
| of which deductible temporary differences | 3,725 | 3,993 |
| Deferred tax liabilities | (48) | (50) |
| **Net deferred tax assets** | **6,271** | **6,291** |

## 24 Employee deferred compensation

The Group's current and previous deferred compensation plans include share awards, performance share awards, CCA, Capital Opportunity Facility awards, Plus Bond awards, Partner Asset Facilities awards, Restricted Cash Awards and other cash awards.

▸ Refer to "Note 29 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

The following tables show the compensation expense for deferred compensation awards recognized in the consolidated statements of operations, the estimated unrecognized expense for deferred compensation awards granted in 2Q16 and prior periods and the remaining requisite service period over which the unrecognized expense will be recognized. The estimated unrecognized compensation expense was based on the fair value of each award on the grant date and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments.

### Deferred compensation expense

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | | | |
| Share awards | 141 | 195 | 209 | 336 | 446 |
| Performance share awards | 87 | 119 | 137 | 206 | 304 |
| Contingent Capital Awards | 43 | 19 | 75 | 62 | 196 |
| Contingent Capital share awards | 6 | – | – | 6 | – |
| Capital Opportunity Facility awards | 3 | 3 | 3 | 6 | 7 |
| Plus Bond awards [1] | 0 | 5 | 5 | 5 | 11 |
| 2011 Partner Asset Facility awards [2] | 0 | 0 | 0 | 0 | 1 |
| Restricted Cash Awards | 0 | 0 | 11 | 0 | 21 |
| 2008 Partner Asset Facility awards [3] | (8) | (8) | 10 | (16) | 22 |
| Other cash awards | 102 | 33 | 90 | 135 | 218 |
| **Total deferred compensation expense** | **374** | **366** | **540** | **740** | **1,226** |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in 1Q13 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in underlying fair value of the indexed assets prior to the CCA conversion.
[3] Compensation expense mainly includes the change in underlying fair value of the indexed assets during the period.

### Estimated unrecognized deferred compensation

| end of | 2Q16 |
|---|---|
| **Estimated unrecognized compensation expense (CHF million)** | |
| Share awards | 703 |
| Performance share awards | 308 |
| Contingent Capital Awards | 211 |
| Contingent Capital share awards | 58 |
| Other cash awards | 281 |
| **Total** | **1,561** |
| **Weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.2 |

### 2Q16 activity

In 2Q16, the Group granted a special cash award of CHF 183 million, which will be expensed over a two-year period from the grant date.

### Share-based award activity

| | 2Q16 | | | 6M16 | | |
|---|---|---|---|---|---|---|
| Number of awards (in millions) | Share awards | Performance share awards | Contingent Capital share awards | Share awards | Performance share awards | Contingent Capital share awards |
| **Share-based award activities** | | | | | | |
| **Balance at beginning of period** | **110.6** | **77.3** | **15.6** | **80.3** | **55.9** | **0.0** |
| Granted | 1.9 | 0.0 | 0.8 | 33.5 | 21.4 | 16.4 |
| Settled | (33.8) | (26.3) | (2.6) | (35.0) | (26.3) | (2.6) |
| Forfeited | (6.4) | (1.0) | 0.0 | (6.5) | (1.0) | 0.0 |
| **Balance at end of period** | **72.3** | **50.0** | **13.8** | **72.3** | **50.0** | **13.8** |
| of which vested | 5.1 | 3.0 | 0.3 | 5.1 | 3.0 | 0.3 |
| of which unvested | 67.2 | 47.0 | 13.5 | 67.2 | 47.0 | 13.5 |

## 25 Pension and other post-retirement benefits

The Group expects to contribute CHF 643 million to the Swiss and international defined benefit plans and other post-retirement defined benefit plans in 2016. As of the end of 2Q16, CHF 451 million of contributions had been made.

### Components of total benefit costs

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Total benefit costs (CHF million)** | | | | | |
| Service costs on benefit obligation | 78 | 77 | 80 | 155 | 159 |
| Interest costs on benefit obligation | 70 | 70 | 81 | 140 | 161 |
| Expected return on plan assets | (178) | (178) | (196) | (356) | (391) |
| Amortization of recognized prior service cost/(credit) | (29) | (29) | (28) | (58) | (55) |
| Amortization of recognized actuarial losses | 105 | 105 | 110 | 210 | 221 |
| **Net periodic benefit costs** | **46** | **45** | **47** | **91** | **95** |
| Settlement losses | 0 | 2 | 0 | 2 | 1 |
| Curtailment losses/(gains) | (3) | (7) | (1) | (10) | (2) |
| Special termination benefits | 3 | 1 | 3 | 4 | 4 |
| **Total benefit costs** | **46** | **41** | **49** | **87** | **98** |

## 26 Derivatives and hedging activities

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 29 – Financial instruments" for further information.

### Fair value of derivative instruments

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 2Q16 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 9,125.6 | 3.2 | 3.5 | 0.0 | 0.0 | 0.0 |
| Swaps | 14,860.7 | 151.8 | 146.2 | 46.2 | 1.6 | 1.3 |
| Options bought and sold (OTC) | 2,523.5 | 64.9 | 62.5 | 0.0 | 0.0 | 0.0 |
| Futures | 755.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 330.8 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **27,596.5** | **220.0** | **212.4** | **46.2** | **1.6** | **1.3** |
| Forwards | 1,099.8 | 19.0 | 18.7 | 10.9 | 0.0 | 0.1 |
| Swaps | 933.7 | 32.7 | 43.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 474.8 | 9.0 | 9.8 | 5.5 | 0.0 | 0.0 |
| Futures | 26.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 16.9 | 0.5 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **2,552.0** | **61.2** | **72.1** | **16.4** | **0.0** | **0.1** |
| Forwards | 2.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 175.4 | 4.7 | 7.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 240.0 | 8.3 | 8.2 | 0.0 | 0.0 | 0.0 |
| Futures | 47.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 336.3 | 12.4 | 15.4 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **801.7** | **25.4** | **30.7** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **813.3** | **13.6** | **14.0** | **0.0** | **0.0** | **0.0** |
| Forwards | 7.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 20.1 | 2.2 | 1.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 15.4 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| Futures | 14.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 2.9 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **60.0** | **2.6** | **2.0** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **31,823.5** | **322.8** | **331.2** | **62.6** | **1.6** | **1.4** |

The notional amount, PRV and NRV (trading and hedging) was CHF 31,886.1 billion, CHF 324.4 billion and CHF 332.6 billion, respectively, as of June 30, 2016.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 4Q15 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 7,229.5 | 1.0 | 1.2 | 0.0 | 0.0 | 0.0 |
| Swaps | 16,737.7 | 118.3 | 112.8 | 54.3 | 1.3 | 1.0 |
| Options bought and sold (OTC) | 2,856.0 | 49.2 | 47.4 | 0.0 | 0.0 | 0.0 |
| Futures | 1,789.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 198.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **28,811.5** | **168.6** | **161.4** | **54.3** | **1.3** | **1.0** |
| Forwards | 1,498.4 | 16.6 | 16.9 | 10.7 | 0.0 | 0.1 |
| Swaps | 1,050.7 | 30.5 | 40.8 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 534.8 | 12.8 | 12.8 | 8.2 | 0.0 | 0.0 |
| Futures | 22.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 13.0 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **3,119.4** | **60.2** | **70.8** | **18.9** | **0.0** | **0.1** |
| Forwards | 1.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 203.8 | 5.1 | 6.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 193.1 | 8.4 | 7.5 | 0.0 | 0.0 | 0.0 |
| Futures | 39.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 284.4 | 9.1 | 11.4 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **722.5** | **22.6** | **25.7** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **831.9** | **17.8** | **17.3** | **0.0** | **0.0** | **0.0** |
| Forwards | 6.3 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 19.6 | 2.6 | 1.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 8.8 | 0.4 | 0.3 | 0.0 | 0.0 | 0.0 |
| Futures | 11.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 1.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **47.7** | **3.2** | **2.2** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **33,533.0** | **272.4** | **277.4** | **73.2** | **1.3** | **1.1** |

The notional amount, PRV and NRV (trading and hedging) was CHF 33,606.2 billion, CHF 273.7 billion and CHF 278.5 billion, respectively, as of December 31, 2015.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Netting of derivative instruments

▸ Refer to "Derivatives" in Note 22 – Offsetting of financial assets and financial liabilities for further information of the netting of derivative instruments.

## Fair value hedges

| in | **2Q16** | 1Q16 | 2Q15 | **6M16** | 6M15 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | | | |
| Interest rate products | 689 | 1,218 | (606) | 1,907 | (559) |
| Foreign exchange products | 0 | 0 | 0 | 0 | 2 |
| **Total** | **689** | **1,218** | **(606)** | **1,907** | **(557)** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | | | |
| Interest rate products | (751) | (1,320) | 619 | (2,071) | 577 |
| Foreign exchange products | 0 | 0 | 0 | 0 | (2) |
| **Total** | **(751)** | **(1,320)** | **619** | **(2,071)** | **575** |
| **Details of fair value hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion | (62) | (102) | 13 | (164) | 18 |

Represents gains/(losses) recognized in trading revenues.

### Cash flow hedges

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Interest rate products | 35 | 62 | (5) | 97 | 54 |
| Foreign exchange products | (4) | (5) | 29 | (9) | (21) |
| **Total** | **31** | **57** | **24** | **88** | **33** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | | | |
| Interest rate products | 8 [1] | 8 [1] | 9 [1,2] | 16 [1] | 18 [1,2] |
| Foreign exchange products | (2) [2,3,4] | (9) [3,4] | (16) [2,3,4] | (11) [2,3,4] | (31) [2,3,4] |
| Total | **6** | **(1)** | **(7)** | **5** | **(13)** |
| **Details of cash flow hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion [2] | (1) | 32 | (6) | 31 | (2) |

Represents gains/(losses) on effective portion.
[1] Included in interest and dividend income.
[2] Included in trading revenues.
[3] Included in other revenues.
[4] Included in total other operating expenses.

As of the end of 2Q16, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

The net gain associated with cash flow hedges expected to be reclassified from accumulated other comprehensive income/loss (AOCI) within the next 12 months is CHF 27 million.

### Net investment hedges

| in | 2Q16 | 1Q16 | 2Q15 | 6M16 | 6M15 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Foreign exchange products | (232) | (20) | 321 | (252) | 808 |
| **Total** | **(232)** | **(20)** | **321** | **(252)** | **808** |

Represents gains/(losses) on effective portion.

The Group includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

Certain of the Group's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty, at the existing mark-to-market replacement value of the derivative contract.

The following table provides the Group's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and SPEs that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch, two-notch and a three-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

## Contingent credit risk

| end of | 2Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 14.3 | 0.5 | 1.2 | **16.0** | 13.2 | 0.5 | 1.4 | **15.1** |
| Collateral posted | 13.3 | 0.5 | – | **13.8** | 12.3 | 0.5 | – | **12.8** |
| Additional collateral required in a one-notch downgrade event | 0.3 | 0.5 | 0.1 | **0.9** | 0.7 | 0.4 | 0.1 | **1.2** |
| Additional collateral required in a two-notch downgrade event | 1.5 | 0.8 | 0.6 | **2.9** | 1.8 | 0.7 | 0.6 | **3.1** |
| Additional collateral required in a three-notch downgrade event | 1.8 | 0.9 | 0.8 | **3.5** | 2.1 | 1.3 | 0.8 | **4.2** |

## Credit derivatives

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on credit derivatives.

### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" tables. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other derivative instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 8.8 billion and CHF 7.8 billion as of the end of 2Q16 and 4Q15, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

## Credit protection sold/purchased

| end of | 2Q16 | | | | | 4Q15 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (183.4) | 174.5 | (8.9) | 20.7 | 1.0 | (199.6) | 188.6 | (11.0) | 26.9 | 1.0 |
| Non-investment grade | (64.3) | 62.2 | (2.1) | 11.8 | (1.4) | (65.2) | 61.1 | (4.1) | 15.7 | (3.2) |
| **Total single-name instruments** | **(247.7)** | **236.7** | **(11.0)** | **32.5** | **(0.4)** | **(264.8)** | **249.7** | **(15.1)** | **42.6** | **(2.2)** |
| of which sovereign | (46.9) | 42.9 | (4.0) | 7.1 | (1.1) | (47.5) | 43.9 | (3.6) | 6.1 | (1.1) |
| of which non-sovereign | (200.8) | 193.8 | (7.0) | 25.4 | 0.7 | (217.3) | 205.8 | (11.5) | 36.5 | (1.1) |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (103.4) | 101.4 | (2.0) | 32.0 | (0.7) | (89.1) | 88.3 | (0.8) | 31.6 | (0.5) |
| Non-investment grade | (21.6) | 15.7 [3] | (5.9) | 4.5 | 0.4 | (24.4) | 18.0 [3] | (6.4) | 6.2 | 0.2 |
| **Total multi-name instruments** | **(125.0)** | **117.1** | **(7.9)** | **36.5** | **(0.3)** | **(113.5)** | **106.3** | **(7.2)** | **37.8** | **(0.3)** |
| of which sovereign | (0.6) | 0.6 | 0.0 | 0.8 | 0.0 | (1.0) | 1.0 | 0.0 | 1.0 | 0.0 |
| of which non-sovereign | (124.4) | 116.5 | (7.9) | 35.7 | (0.3) | (112.5) | 105.3 | (7.2) | 36.8 | (0.3) |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (286.8) | 275.9 | (10.9) | 52.7 | 0.3 | (288.7) | 276.9 | (11.8) | 58.5 | 0.5 |
| Non-investment grade | (85.9) | 77.9 | (8.0) | 16.3 | (1.0) | (89.6) | 79.1 | (10.5) | 21.9 | (3.0) |
| **Total instruments** | **(372.7)** | **353.8** | **(18.9)** | **69.0** | **(0.7)** | **(378.3)** | **356.0** | **(22.3)** | **80.4** | **(2.5)** |
| of which sovereign | (47.5) | 43.5 | (4.0) | 7.9 | (1.1) | (48.5) | 44.9 | (3.6) | 7.1 | (1.1) |
| of which non-sovereign | (325.2) | 310.3 | (14.9) | 61.1 | 0.4 | (329.8) | 311.1 | (18.7) | 73.3 | (1.4) |

[1] Represents credit protection purchased with identical underlyings and recoveries.
[2] Based on internal ratings of BBB and above.
[3] Includes the Clock Finance transaction.

### Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events.

### Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold.

### Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

### Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

**Credit derivatives**

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 372.7 | 378.3 |
| Credit protection purchased | 353.8 | 356.0 |
| Other protection purchased | 69.0 | 80.4 |
| Other instruments [1] | 17.8 | 17.2 |
| **Total credit derivatives** | **813.3** | **831.9** |

[1] Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

**Maturity of credit protection sold**

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | Total |
|---|---|---|---|---|
| **2Q16 (CHF billion)** | | | | |
| Single-name instruments | 54.1 | 177.1 | 16.5 | 247.7 |
| Multi-name instruments | 17.6 | 98.8 | 8.6 | 125.0 |
| **Total instruments** | **71.7** | **275.9** | **25.1** | **372.7** |
| **4Q15 (CHF billion)** | | | | |
| Single-name instruments | 52.1 | 196.4 | 16.3 | 264.8 |
| Multi-name instruments | 19.0 | 84.9 | 9.6 | 113.5 |
| **Total instruments** | **71.1** | **281.3** | **25.9** | **378.3** |

## 27 Guarantees and commitments

### Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate Credit Suisse to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Group's current best estimate of payments that will be required under existing guarantee arrangements.

Guarantees provided by the Group are classified as follows: credit guarantees and similar instruments, performance guarantees and similar instruments, derivatives and other guarantees. The Group no longer provides guarantees for securities lending indemnifications.

▸ Refer to "Guarantees" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a detailed description of guarantees.

## Guarantees

| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|
| **2Q16 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,100 | 1,120 | 3,220 | 2,991 | 10 | 1,729 |
| Performance guarantees and similar instruments | 4,481 | 2,547 | 7,028 | 6,155 | 90 | 2,932 |
| Derivatives [2] | 28,755 | 7,474 | 36,229 | 36,229 | 1,158 | – [3] |
| Other guarantees | 3,756 | 1,485 | 5,241 | 5,238 | 37 | 3,446 |
| **Total guarantees** | **39,092** | **12,626** | **51,718** | **50,613** | **1,295** | **8,107** |
| **4Q15 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,916 | 1,486 | 4,402 | 4,193 | 25 | 1,729 |
| Performance guarantees and similar instruments | 4,295 | 2,704 | 6,999 | 6,100 | 78 | 3,144 |
| Derivatives [2] | 23,529 | 14,660 | 38,189 | 38,189 | 755 | – [3] |
| Other guarantees | 3,958 | 1,521 | 5,479 | 5,474 | 52 | 3,533 |
| **Total guarantees** | **34,698** | **20,371** | **55,069** | **53,956** | **910** | **8,406** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2015 to June 30, 2016 is CHF 0.6 billion. These deposit insurance guarantees were reflected in other guarantees. For the period July 1, 2016 to June 30, 2017, the Group's share in this deposit insurance guarantee program based on FINMA's estimate will be unchanged at CHF 0.6 billion.

### Representations and warranties on residential mortgage loans sold

In connection with the former Investment Banking division's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises, Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims made within the statute of limitations (including the likelihood and ability to enforce claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

During the first six months of 2016, the Group received repurchase claims for residential mortgage loans that were not significant, and loans repurchased during this period and related losses were not significant. The balance of outstanding repurchase claims as of the end of 2Q16 was not significant.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so during the reporting period, are not included in this Guarantees and commitments disclosure but are addressed in litigation and related loss contingencies and provisions. The Group is involved in litigation relating to representations and warranties on residential mortgages sold.

▸ Refer to "Note 31 – Litigation" for further information.

### Disposal-related contingencies and other indemnifications

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees include disposal-related contingencies in connection with the sale of assets or businesses, and other indemnifications. These guarantees are not reflected in the "Guarantees" table.

▸ Refer to "Disposal-related contingencies and other indemnifications" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a description of these guarantees.

### Other commitments

Other commitments of the Group are classified as follows: irrevocable commitments under documentary credits, irrevocable loan commitments, forward reverse repurchase agreements and other commitments.

▸ Refer to "Other commitments" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a description of these commitments.

### Other commitments

| end of | 2Q16 | | | | | 4Q15 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received |
| **Other commitments (CHF million)** | | | | | | | | | | |
| Irrevocable commitments under documentary credits | 4,171 | 8 | 4,179 | 4,117 | 2,849 | 4,022 | 7 | 4,029 | 3,935 | 2,468 |
| Irrevocable loan commitments [2] | 27,894 | 84,611 | 112,505 | 108,855 | 50,428 | 33,890 | 103,763 | 137,653 | 133,833 | 63,276 |
| Forward reverse repurchase agreements | 837 | 0 | 837 | 837 | 837 | 48 | 0 | 48 | 48 | 48 |
| Other commitments | 1,060 | 143 | 1,203 | 1,203 | 8 | 450 | 322 | 772 | 771 | 6 |
| **Total other commitments** | **33,962** | **84,762** | **118,724** | **115,012** | **54,122** | **38,410** | **104,092** | **142,502** | **138,587** | **65,798** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Irrevocable loan commitments do not include a total gross amount of CHF 98,321 million and CHF 98,495 million of unused credit limits as of the end of 2Q16 and 4Q15, respectively, which were revocable at the Group's sole discretion upon notice to the client.

## 28 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, special purpose entities (SPEs). An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and Group tax or regulatory purposes.

### TRANSFERS OF FINANCIAL ASSETS

#### Securitizations

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, commercial paper (CP) and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue CMBS, RMBS and asset-backed securities (ABS) that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include managed CLOs, CLOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CLOs are collateralized by loans transferred to the CLO vehicle and pay a return based on the returns on the loans. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed

financing structures investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and loans involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 6M16 and 6M15 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

### Securitizations

| in | 6M16 | 6M15 |
|---|---|---|
| **Gains and cash flows (CHF million)** | | |
| **CMBS** | | |
| Net gain/(loss) [1] | 2 | (2) |
| Proceeds from transfer of assets | 3,148 | 5,252 |
| Cash received on interests that continue to be held | 35 | 74 |
| **RMBS** | | |
| Net gain/(loss) [1] | (1) | 4 |
| Proceeds from transfer of assets | 4,898 | 8,416 |
| Servicing fees | 2 | 1 |
| Cash received on interests that continue to be held | 262 | 204 |
| **Other asset-backed financings** | | |
| Net gain [1] | 17 | 11 |
| Proceeds from transfer of assets | 1,305 [2] | 636 |
| Fees [3] | 61 | – |
| Cash received on interests that continue to be held | 1 | 3 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

[2] Excludes a net impact of CHF 3,109 million from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.

[3] Represents management fees and performance fees earned for investment management services provided to managed CLOs.

#### Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets.

▸ Refer to "Transfer of financial assets" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for a detailed description of continuing involvement in transferred financial assets.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 2Q16 and 4Q15, regardless of when the transfer of assets occurred.

### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 35,114 | 40,625 |
| Total assets of SPE | 47,665 | 56,118 |
| **RMBS** | | |
| Principal amount outstanding | 43,897 | 54,164 |
| Total assets of SPE | 43,987 | 55,833 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 20,070 [1] | 21,653 |
| Total assets of SPE | 34,466 [1] | 22,787 |

Principal amount outstanding relates to assets transferred from the Group and does not include principal amounts for assets transferred from third parties.

[1] Includes a net impact of CHF 3,208 million in principal amount outstanding and of CHF 16,625 million in total assets of the SPE from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.

#### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Group may utilize to hedge the inherent risks.

### Key economic assumptions at the time of transfer

▸ Refer to "Note 29 – Financial instruments" for information on fair value hierarchy levels.

**Key economic assumptions used in measuring fair value of beneficial interests at time of transfer**

| at time of transfer, in | 6M16 | | 6M15 | |
|---|---|---|---|---|
| | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 42 | 1,300 | 997 | 1,018 |
| of which level 2 | 42 | 1,228 | 975 | 826 |
| of which level 3 | 0 | 71 | 22 | 192 |
| Weighted-average life, in years | 10.7 | 6.7 | 8.9 | 8.6 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 8.1–24.4 | – [2] | 4.5–27.7 |
| Cash flow discount rate (rate per annum), in % [3] | 2.4–4.9 | 1.4–18.6 | 2.0–5.7 | 1.7–13.6 |
| Expected credit losses (rate per annum), in % | 0.0–0.0 | 0.0–0.0 | 0.7–3.4 | 0.5–12.5 |

Transfers of assets in which the Group does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

### Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 2Q16 and 4Q15.

**Key economic assumptions used in measuring fair value of beneficial interests held in SPEs**

| end of | 2Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 568 | 2,067 | 276 | 1,007 | 2,274 | 56 |
| of which non-investment grade | 86 | 584 | 50 | 73 | 581 | 55 |
| Weighted-average life, in years | 6.2 | 6.9 | 5.6 | 6.7 | 9.7 | 2.5 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.1–31.1 | – | – | 1.0–37.1 | – |
| Impact on fair value from 10% adverse change | – | (28.7) | – | – | (30.5) | – |
| Impact on fair value from 20% adverse change | – | (55.7) | – | – | (57.6) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.6–16.1 | 0.6–39.1 | 1.3–21.8 | 2.1–13.3 | 1.5–35.5 | 5.7–21.2 |
| Impact on fair value from 10% adverse change | (7.7) | (39.0) | (5.2) | (18.1) | (63.1) | (0.7) |
| Impact on fair value from 20% adverse change | (14.9) | (75.9) | (10.3) | (35.6) | (122.5) | (1.5) |
| Expected credit losses (rate per annum), in % | 1.1–15.3 | 0.2–37.7 | 0.2–20.0 | 0.9–12.7 | 1.3–34.3 | 0.2–14.2 |
| Impact on fair value from 10% adverse change | (4.8) | (27.8) | (4.1) | (8.0) | (32.3) | (0.7) |
| Impact on fair value from 20% adverse change | (9.5) | (54.3) | (8.1) | (15.9) | (63.2) | (1.5) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[2] CDOs and CLOs within this category are generally structured to be protected from prepayment risk.

[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[4] The rate was based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

### Transfers of financial assets where sale treatment was not achieved

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 2Q16 and 4Q15.

▸ Refer to "Note 30 – Assets pledged and collateral" for further information.

**Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved**

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **CHF million** | | |
| **RMBS** | | |
| Other assets | 0 | 266 |
| Liability to SPE, included in Other liabilities | 0 | (266) |
| **Other asset-backed financings** | | |
| Trading assets | 214 | 155 |
| Other assets | 139 | 122 |
| Liability to SPE, included in Other liabilities | (353) | (277) |

### Transfers of financial assets accounted for as a sale

US GAAP requires the disclosure of a transaction accounted for as a sale that comprises both of the following: a transfer of financial assets to a transferee and an agreement entered into in contemplation of the initial transfer with the transferee that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. In the ordinary course of business, the Group transfers a financial asset accounted for as a sale and, in some instances, enters into an agreement in contemplation of that initial transfer with the same counterparty to retain substantially all of the economics of that transferred financial asset. As of the end of 2Q16 and 4Q15, the Group had agreements in the form of TRS on equity securities and longevity swaps on life insurance policies.

The following table presents information about the transfers of financial assets accounted for as sales with agreements that result in the Group retaining substantially all of the exposure to the economic return on the transferred assets at the date of sale and remain outstanding as of the end of 2Q16 and 4Q15, respectively, gross cash proceeds received for assets derecognized at the date of sale and the fair values of transferred assets and the aforementioned agreements as of the end of 2Q16 and 4Q15.

**Transfer of financial assets accounted for as sales – by transaction type**

| | at date of derecognition | | end of | | |
|---|---|---|---|---|---|
| | Carrying amount derecognized | Gross cash proceeds received for assets derecognized | Fair value of transferred assets | Gross derivative assets recorded [1] | Gross derivative liabilities recorded [1] |
| **2Q16 (CHF million)** | | | | | |
| Sales with longevity swaps | 308 | 378 | 404 | 583 | – |
| **Total transactions outstanding** | **308** | **378** | **404** | **583** [2] | **0** |
| **4Q15 (CHF million)** | | | | | |
| Sales with total return swaps | 395 | 397 | 398 | 7 | 7 |
| Sales with longevity swaps | 308 | 378 | 375 | 546 | – |
| **Total transactions outstanding** | **703** | **775** | **773** | **553** [3] | **7** [3] |

[1] Balances presented on a gross basis, before application of counterparty and cash collateral netting.
[2] As of the end of 2Q16, gross derivative assets of CHF 583 million were included in other products, as disclosed in Note 26 – Derivatives and hedging activities.
[3] As of the end of 4Q15, gross derivative assets of CHF 7 million and CHF 546 million were included in equity/index-related products and other products, respectively, and gross derivative liabilites of CHF 7 million were included in equity/index-related products, as disclosed in Note 26 – Derivatives and hedging activities.

### Securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings

For securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings, US GAAP requires the disclosure of the collateral pledged and the associated risks to which a transferor continues to be exposed after the transfer. This provides an understanding of the nature and risks of short-term collateralized financing obtained through these types of transactions.

Securities sold under repurchase agreements and securities lending transactions represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activities. These transactions are collateralized principally by government debt securities, corporate debt securities, asset-backed securities, equity securities and other collateral and have terms ranging from on demand to a longer period of time.

In the event of the Group's default or a decline in fair value of collateral pledged, the repurchase agreement or security lending transaction provides the counterparty with the right to liquidate the collateral held or request additional collateral.

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of the end of 2Q16 and 4Q15.

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by class of collateral pledged

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **CHF billion** | | |
| Government debt securities | 20.1 | 21.1 |
| Corporate debt securities | 12.6 | 15.2 |
| Asset-backed securities | 11.3 | 21.6 |
| Equity securities | 0.1 | 0.1 |
| Other | 0.1 | 0.1 |
| **Securities sold under repurchase agreements** | **44.2** | **58.1** |
| Government debt securities | 3.3 | 3.1 |
| Corporate debt securities | 0.5 | 0.4 |
| Equity securities | 6.4 | 8.2 |
| Other | 0.4 | 0.3 |
| **Securities lending transactions** | **10.6** | **12.0** |
| Government debt securities | 0.6 | 0.5 |
| Corporate debt securities | 0.4 | 0.1 |
| Equity securities | 25.0 | 27.9 |
| **Obligation to return securities received as collateral, at fair value** | **26.0** | **28.5** |
| **Total** | **80.8** | **98.6** |

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by remaining contractual maturity

| | | Remaining contractual maturities | | | |
|---|---|---|---|---|---|
| end of | On demand [1] | Up to 30 days [2] | 31 – 90 days | More than 90 days | Total |
| **2Q16 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 5.2 | 22.1 | 8.0 | 8.9 | 44.2 |
| Securities lending transactions | 4.8 | 4.9 | 0.2 | 0.7 | 10.6 |
| Obligation to return securities received as collateral, at fair value | 23.7 | 2.3 | 0.0 | 0.0 | 26.0 |
| **Total** | **33.7** | **29.3** | **8.2** | **9.6** | **80.8** |
| **4Q15 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 7.7 | 29.9 | 8.1 | 12.4 | 58.1 |
| Securities lending transactions | 6.0 | 3.6 | 1.8 | 0.6 | 12.0 |
| Obligation to return securities received as collateral, at fair value | 26.2 | 2.3 | 0.0 | 0.0 | 28.5 |
| **Total** | **39.9** | **35.8** | **9.9** | **13.0** | **98.6** |

[1] Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.
[2] Includes overnight transactions.

▸ Refer to "Note 22 – Offsetting of financial assets and financial liabilities" for further information on the gross amount of securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral and the net amounts disclosed in the consolidated balance sheets.

## VARIABLE INTEREST ENTITIES

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: CDO/CLOs, CP conduits and financial intermediation.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for a detailed description of VIEs, CDOs, CP conduit or financial intermediation.

### Collateralized debt obligations

The Group engages in CDO/CLO transactions to meet client and investor needs, earn fees and sell financial assets. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction.

### Commercial paper conduit

In 4Q15, the Group decided to stop issuing CP from an existing asset-backed CP conduit, Alpine Securitization Corp. (old Alpine), and all outstanding CP was fully repaid as of the end of 4Q15. As of the end of 2Q16, old Alpine did not have any third-party assets.

In 2Q16, the Group established Alpine Securitization Ltd (Alpine), a multi-seller asset-backed CP conduit used for client and Group financing purposes. The Group acts as the administrator and provider of liquidity and credit enhancement facilities for Alpine. Alpine discloses to CP investors certain portfolio and asset data and submits its portfolio to rating agencies for public ratings. This CP conduit purchases assets such as loans and receivables or enters into reverse repurchase agreements and finances such activities through the issuance of CP backed by these assets. The CP conduit can enter into liquidity facilities with third-party entities pursuant to which it may purchase assets from these entities to provide them with liquidity and credit support. The financing transactions are structured to provide credit support to the CP conduit in the form of over-collateralization and other asset-specific enhancements. Alpine is a separate legal entity that is wholly owned by the Group. However, its assets are available to satisfy only the claims of its creditors. In addition, the Group, as administrator and liquidity facility provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Group is deemed the primary beneficiary and consolidates this entity.

As of the end of 2Q16, Alpine did not have any CP outstanding, was rated A-1(sf) by Standard & Poor's and P-1(sf) by Moody's and had exposures in servicer advance receivables and credit card receivables.

The Group's commitment to this CP conduit consists of obligations under liquidity agreements. The liquidity agreements are asset-specific arrangements, which require the Group to purchase assets from the CP conduit in certain circumstances, including a lack of liquidity in the CP market such that the CP conduit cannot refinance its obligations or, in some cases, a default of an underlying asset. The asset-specific credit enhancements provided by the client seller of the assets remain unchanged as a result of such a purchase. In entering into such agreements, the Group reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit.

The Group's economic risks associated with the CP conduit are included in the Group's risk management framework including counterparty, economic risk capital and scenario analysis.

### Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

Financial intermediation consists of securitizations, funds, loans and other vehicles.

### Consolidated VIEs

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Group consolidates all VIEs related to financial intermediation for which it was the primary beneficiary.

The consolidated VIEs tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of the end of 2Q16 and 4Q15.

## Consolidated VIEs in which the Group was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO/ CLO | CP Conduit | Securi- tizations | Funds | Loans | Other | **Total** |
| **2Q16 (CHF million)** | | | | | | | |
| Cash and due from banks | 54 | 99 | 88 | 151 | 85 | 12 | 489 |
| Trading assets | 0 | 0 | 88 | 928 | 1,080 | 1,379 | 3,475 |
| Investment securities | 0 | 0 | 544 | 0 | 0 | 0 | 544 |
| Other investments | 0 | 0 | 0 | 118 | 1,534 | 303 | 1,955 |
| Net loans | 0 | 0 | 0 | 0 | 29 | 331 | 360 |
| Premises and equipment | 0 | 0 | 0 | 0 | 282 | 0 | 282 |
| Other assets | 0 | 0 | 1,230 | 37 | 87 | 1,149 | 2,503 |
| of which loans held-for-sale | 0 | 0 | 240 | 0 | 10 | 1 | 251 |
| **Total assets of consolidated VIEs** | **54** | **99** | **1,950** | **1,234** | **3,097** | **3,174** | **9,608** |
| Trading liabilities | 0 | 0 | 0 | 119 | 18 | 0 | 137 |
| Short-term borrowings | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Long-term debt | 68 | 0 | 1,490 | 81 | 138 | 3 | 1,780 |
| Other liabilities | 0 | 0 | 1 | 20 | 140 | 80 | 241 |
| **Total liabilities of consolidated VIEs** | **68** | **0** | **1,491** | **221** | **296** | **83** | **2,159** |
| **4Q15 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,351 | 0 | 21 | 9 | 93 | 219 | 1,693 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 53 | 0 | 0 | 0 | 0 | 53 |
| Trading assets | 283 | 49 | 0 | 941 | 1,001 | 98 | 2,372 |
| Investment securities | 0 | 0 | 1,009 | 0 | 0 | 0 | 1,009 |
| Other investments | 0 | 0 | 0 | 0 | 1,553 | 433 | 1,986 |
| Net loans | 0 | 0 | 0 | 0 | 27 | 1,285 | 1,312 |
| Premises and equipment | 0 | 0 | 0 | 0 | 327 | 0 | 327 |
| Other assets | 10,839 | 123 | 1,671 | 0 | 83 | 1,735 | 14,451 |
| of which loans held-for-sale | 10,790 | 0 | 469 | 0 | 16 | 0 | 11,275 |
| **Total assets of consolidated VIEs** | **12,473** | **225** | **2,701** | **950** | **3,084** | **3,770** | **23,203** |
| Trading liabilities | 8 | 0 | 0 | 0 | 18 | 1 | 27 |
| Short-term borrowings | 0 | 0 | 81 | 0 | 0 | 0 | 81 |
| Long-term debt | 12,428 | 0 | 2,128 | 125 | 136 | 9 | 14,826 |
| Other liabilities | 51 | 3 | 3 | 1 | 135 | 643 | 836 |
| **Total liabilities of consolidated VIEs** | **12,487** | **3** | **2,212** | **126** | **289** | **653** | **15,770** |

### Non-consolidated VIEs

The non-consolidated VIEs tables provide the carrying amounts and classification of the assets and liabilities of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for further information on non-consolidated VIEs.

### Non-consolidated VIEs

| | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|
| end of | CDO/ CLO | Securi-tizations | Funds | Loans | Other | **Total** |
| **2Q16 (CHF million)** | | | | | | |
| Trading assets | 175 | 4,077 | 982 | 235 | 63 | 5,532 |
| Net loans | 4 | 505 | 2,834 | 4,078 | 1,257 | 8,678 |
| Other assets | 3 | 15 | 13 | 178 | 311 | 520 |
| **Total variable interest assets** | **182** | **4,597** | **3,829** | **4,491** | **1,631** | **14,730** |
| **Maximum exposure to loss** | **183** | **9,364** | **3,829** | **9,191** | **2,807** | **25,374** |
| **Non-consolidated VIE assets** | **4,511** | **80,982** | **62,007** | **32,314** | **39,089** | **218,903** |
| **4Q15 (CHF million)** | | | | | | |
| Trading assets | 90 | 6,021 | 871 | 425 | 8 | 7,415 |
| Net loans | 36 | 1,508 | 2,734 | 5,053 | 1,723 | 11,054 |
| Other assets | 0 | 11 | 13 | 0 | 161 | 185 |
| **Total variable interest assets** | **126** | **7,540** | **3,618** | **5,478** | **1,892** | **18,654** |
| **Maximum exposure to loss** | **126** | **12,986** | **3,618** | **11,866** | **2,570** | **31,166** |
| **Non-consolidated VIE assets** | **6,590** | **113,530** | **54,112** | **41,824** | **36,865** | **252,921** |

## 29 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:

- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes);
- Fair value option; and
- Disclosures about fair value of financial instruments not carried at fair value.

### CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's concentrations of credit risk.

### FAIR VALUE MEASUREMENT

A significant portion of the Group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on fair value measurement of financial instruments and the definition of the levels of the fair value hierarchy.

## Assets and liabilities measured at fair value on a recurring basis

| end of 2Q16 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Assets measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 0 | 318 | 0 | – | – | 318 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 79,627 | 300 | – | – | 79,927 |
| Debt | 465 | 564 | 0 | – | – | 1,029 |
| of which corporates | 0 | 451 | 0 | – | – | 451 |
| Equity | 24,915 | 49 | 0 | – | – | 24,964 |
| Securities received as collateral | 25,380 | 613 | 0 | – | – | 25,993 |
| Debt | 28,274 | 33,928 | 4,456 | – | – | 66,658 |
| of which foreign governments | 28,159 | 5,213 | 308 | – | – | 33,680 |
| of which corporates | 34 | 11,697 | 2,289 | – | – | 14,020 |
| of which RMBS | 0 | 14,249 | 373 | – | – | 14,622 |
| of which CMBS | 0 | 1,950 | 57 | – | – | 2,007 |
| of which CDO | 0 | 794 | 1,429 | – | – | 2,223 |
| Equity | 63,641 | 4,066 | 337 | – | 1,770 | 69,814 |
| Derivatives | 6,913 | 310,799 | 5,051 | (293,275) | – | 29,488 |
| of which interest rate products | 2,873 | 216,354 | 782 | – | – | – |
| of which foreign exchange products | 93 | 60,881 | 217 | – | – | – |
| of which equity/index-related products | 3,944 | 20,243 | 1,181 | – | – | – |
| of which credit derivatives | 0 | 12,055 | 1,580 | – | – | – |
| Other | 2,949 | 3,863 | 4,847 | – | – | 11,659 |
| Trading assets | 101,777 | 352,656 | 14,691 | (293,275) | 1,770 | 177,619 |
| Debt | 1,523 | 846 | 155 | – | – | 2,524 |
| of which foreign governments | 1,325 | 94 | 0 | – | – | 1,419 |
| of which corporates | 0 | 283 | 0 | – | – | 283 |
| of which RMBS | 0 | 360 | 155 | – | – | 515 |
| of which CMBS | 0 | 29 | 0 | – | – | 29 |
| Equity | 2 | 85 | 0 | – | – | 87 |
| Investment securities | 1,525 | 931 | 155 | – | – | 2,611 |
| Private equity | 0 | 0 | 7 | – | 590 | 597 |
| of which equity funds | 0 | 0 | 0 | – | 237 | 237 |
| Hedge funds | 0 | 0 | 0 | – | 274 | 274 |
| of which debt funds | 0 | 0 | 0 | – | 238 | 238 |
| Other equity investments | 14 | 64 | 410 | – | 540 | 1,028 |
| of which private | 14 | 62 | 409 | – | 539 | 1,024 |
| Life finance instruments | 0 | 1 | 1,687 | – | – | 1,688 |
| Other investments | 14 | 65 | 2,104 | – | 1,404 | 3,587 |
| Loans | 0 | 11,840 | 8,991 | – | – | 20,831 |
| of which commercial and industrial loans | 0 | 6,086 | 5,837 | – | – | 11,923 |
| of which financial institutions | 0 | 3,736 | 1,623 | – | – | 5,359 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 111 | – | – | 111 |
| Other assets | 372 | 11,660 | 2,838 | (1,431) | – | 13,439 |
| of which loans held-for-sale | 0 | 6,823 | 2,399 | – | – | 9,222 |
| **Total assets at fair value** | **129,068** | **457,710** | **29,190** | **(294,706)** | **3,174** | **324,436** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | 0 | (112) | – | (184) | (296) |
| Less assets consolidated under ASU 2009-17 [3] | (1) | (1,028) | (270) | – | – | (1,299) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **129,067** | **456,682** | **28,808** | **(294,706)** | **2,990** | **322,841** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

[3] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2Q16 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Liabilities measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | | |
| Due to banks | 0 | 514 | 0 | – | – | 514 |
| Customer deposits | 0 | 3,581 | 327 | – | – | 3,908 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 18,114 | 0 | – | – | 18,114 |
| Debt | 465 | 564 | 0 | – | – | 1,029 |
| of which corporates | 0 | 451 | 0 | – | – | 451 |
| Equity | 24,915 | 49 | 0 | – | – | 24,964 |
| Obligation to return securities received as collateral | 25,380 | 613 | 0 | – | – | 25,993 |
| Debt | 3,553 | 4,430 | 12 | – | – | 7,995 |
| of which foreign governments | 3,488 | 639 | 0 | – | – | 4,127 |
| of which corporates | 32 | 3,570 | 12 | – | – | 3,614 |
| Equity | 16,438 | 189 | 5 | – | 5 | 16,637 |
| Derivatives | 7,693 | 318,813 | 4,716 | (304,172) | – | 27,050 |
| of which interest rate products | 2,829 | 209,056 | 543 | – | – | – |
| of which foreign exchange products | 75 | 71,636 | 436 | – | – | – |
| of which equity/index-related products | 4,787 | 24,650 | 1,236 | – | – | – |
| of which credit derivatives | 0 | 12,130 | 1,904 | – | – | – |
| Trading liabilities | 27,684 | 323,432 | 4,733 | (304,172) | 5 | 51,682 |
| Short-term borrowings | 0 | 2,888 | 108 | – | – | 2,996 |
| Long-term debt | 0 | 61,388 | 12,534 | – | – | 73,922 |
| of which treasury debt over two years | 0 | 3,648 | 0 | – | – | 3,648 |
| of which structured notes over one year and up to two years | 0 | 6,234 | 640 | – | – | 6,874 |
| of which structured notes over two years | 0 | 42,183 | 11,289 | – | – | 53,472 |
| of which other debt instruments over two years | 0 | 2,273 | 597 | – | – | 2,870 |
| of which other subordinated bonds | 0 | 5,071 | 0 | – | – | 5,071 |
| of which non-recourse liabilities | 0 | 1,773 | 8 | – | – | 1,781 |
| Other liabilities | 0 | 9,428 | 1,839 | (1,163) | – | 10,104 |
| of which failed sales | 0 | 564 | 505 | – | – | 1,069 |
| **Total liabilities at fair value** | **53,064** | **419,958** | **19,541** | **(305,335)** | **5** | **187,233** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q15 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Assets measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 0 | 89 | 0 | – | – | 89 |
| Interest-bearing deposits with banks | 0 | 2 | 0 | – | – | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 83,407 | 158 | – | – | 83,565 |
| Debt | 811 | 493 | 0 | – | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | – | 261 |
| Equity | 27,141 | 66 | 0 | – | – | 27,207 |
| Securities received as collateral | 27,952 | 559 | 0 | – | – | 28,511 |
| Debt | 27,932 | 48,047 | 4,563 | – | – | 80,542 |
| of which foreign governments | 27,710 | 3,737 | 285 | – | – | 31,732 |
| of which corporates | 13 | 15,762 | 1,745 | – | – | 17,520 |
| of which RMBS | 0 | 22,302 | 814 | – | – | 23,116 |
| of which CMBS | 0 | 3,924 | 215 | – | – | 4,139 |
| of which CDO | 0 | 2,317 | 1,298 | – | – | 3,615 |
| Equity | 64,210 | 4,195 | 871 | – | 1,685 | 70,961 |
| Derivatives | 2,625 | 265,014 | 4,831 | (244,105) | – | 28,365 |
| of which interest rate products | 657 | 167,173 | 791 | – | – | – |
| of which foreign exchange products | 104 | 59,740 | 383 | – | – | – |
| of which equity/index-related products | 1,857 | 19,803 | 936 | – | – | – |
| of which credit derivatives | 0 | 16,267 | 1,568 | – | – | – |
| Other | 2,034 | 4,569 | 4,266 | – | – | 10,869 |
| Trading assets | 96,801 | 321,825 | 14,531 | (244,105) | 1,685 | 190,737 |
| Debt | 1,538 | 1,318 | 148 | – | – | 3,004 |
| of which foreign governments | 1,322 | 94 | 0 | – | – | 1,416 |
| of which corporates | 0 | 285 | 0 | – | – | 285 |
| of which RMBS | 0 | 602 | 148 | – | – | 750 |
| of which CMBS | 0 | 259 | 0 | – | – | 259 |
| Equity | 2 | 84 | 0 | – | – | 86 |
| Investment securities | 1,540 | 1,402 | 148 | – | – | 3,090 |
| Private equity | 0 | 0 | 0 | – | 1,042 | 1,042 |
| of which equity funds | 0 | 0 | 0 | – | 437 | 437 |
| Hedge funds | 0 | 0 | 0 | – | 295 | 295 |
| of which debt funds | 0 | 0 | 0 | – | 260 | 260 |
| Other equity investments | 0 | 23 | 366 | – | 840 | 1,229 |
| of which private | 0 | 14 | 365 | – | 840 | 1,219 |
| Life finance instruments | 0 | 2 | 1,669 | – | – | 1,671 |
| Other investments | 0 | 25 | 2,035 | – | 2,177 | 4,237 |
| Loans | 0 | 11,870 | 8,950 | – | – | 20,820 |
| of which commercial and industrial loans | 0 | 5,811 | 5,735 | – | – | 11,546 |
| of which financial institutions | 0 | 4,102 | 1,729 | – | – | 5,831 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 112 | – | – | 112 |
| Other assets | 687 | 19,002 | 7,087 | (1,149) | – | 25,627 |
| of which loans held-for-sale | 0 | 14,378 | 6,768 | – | – | 21,146 |
| **Total assets at fair value** | **126,980** | **438,181** | **33,021** | **(245,254)** | **3,862** | **356,790** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | (9) | (119) | – | (473) | (601) |
| Less assets consolidated under ASU 2009-17 [3] | 0 | (9,212) | (3,558) | – | – | (12,770) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **126,980** | **428,960** | **29,344** | **(245,254)** | **3,389** | **343,419** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

[3] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q15 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Liabilities measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | | |
| Due to banks | 0 | 482 | 0 | – | – | 482 |
| Customer deposits | 0 | 3,409 | 254 | – | – | 3,663 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 32,398 | 0 | – | – | 32,398 |
| Debt | 811 | 493 | 0 | – | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | – | 261 |
| Equity | 27,141 | 66 | 0 | – | – | 27,207 |
| Obligation to return securities received as collateral | 27,952 | 559 | 0 | – | – | 28,511 |
| Debt | 4,100 | 4,289 | 16 | – | – | 8,405 |
| of which foreign governments | 4,050 | 491 | 0 | – | – | 4,541 |
| of which corporates | 30 | 3,597 | 16 | – | – | 3,643 |
| Equity | 16,875 | 154 | 45 | – | 6 | 17,080 |
| Derivatives | 3,062 | 269,788 | 4,554 | (253,918) | – | 23,486 |
| of which interest rate products | 671 | 160,181 | 578 | – | – | – |
| of which foreign exchange products | 82 | 70,381 | 329 | – | – | – |
| of which equity/index-related products | 2,299 | 22,015 | 1,347 | – | – | – |
| of which credit derivatives | 0 | 15,522 | 1,757 | – | – | – |
| Trading liabilities | 24,037 | 274,231 | 4,615 | (253,918) | 6 | 48,971 |
| Short-term borrowings | 0 | 3,040 | 72 | – | – | 3,112 |
| Long-term debt | 0 | 66,808 | 14,123 | – | – | 80,931 |
| of which treasury debt over two years | 0 | 4,590 | 0 | – | – | 4,590 |
| of which structured notes over one year and up to two years | 0 | 6,396 | 364 | – | – | 6,760 |
| of which structured notes over two years | 0 | 38,066 | 9,924 | – | – | 47,990 |
| of which other debt instruments over two years | 0 | 1,435 | 638 | – | – | 2,073 |
| of which other subordinated bonds | 0 | 5,476 | 0 | – | – | 5,476 |
| of which non-recourse liabilities | 0 | 10,642 | 3,197 | – | – | 13,839 |
| Other liabilities | 0 | 10,224 | 2,491 | (961) | – | 11,754 |
| of which failed sales | 0 | 530 | 454 | – | – | 984 |
| **Total liabilities at fair value** | **51,989** | **391,151** | **21,555** | **(254,879)** | **6** | **209,822** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

### Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 6M16, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers from trading assets and trading liabilities were primarily in exchange traded derivatives as prices became observable.

In 6M16, transfers out of level 1 to level 2 were primarily from trading assets. The transfers were primarily in debt for which suitable closing prices were unobtainable as of the end of 6M16.

### Transfers between level 1 and level 2

| in | 6M16 | | 6M15 | |
|---|---|---|---|---|
| | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 5 | 1,667 | 54 | 46 |
| Equity | 285 | 835 | 380 | 491 |
| Derivatives | 2,403 | 0 | 3,290 | 23 |
| **Trading assets** | **2,693** | **2,502** | **3,724** | **560** |
| **Liabilities (CHF million)** | | | | |
| Debt | 2 | 33 | 88 | 21 |
| Equity | 16 | 48 | 53 | 82 |
| Derivatives | 3,007 | 8 | 3,310 | 80 |
| **Trading liabilities** | **3,025** | **89** | **3,451** | **183** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 6M16 | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | 0 | 0 | 0 | 0 | 186 |
| Securities received as collateral | 0 | 0 | 0 | 18 | (18) | 0 |
| Debt | 4,563 | 543 | (625) | 2,617 | (2,573) | 0 |
| of which corporates | 1,745 | 291 | (178) | 1,744 | (1,349) | 0 |
| of which RMBS | 814 | 142 | (381) | 365 | (468) | 0 |
| of which CMBS | 215 | 10 | (9) | 42 | (167) | 0 |
| of which CDO | 1,298 | 48 | (8) | 433 | (320) | 0 |
| Equity | 871 | 86 | (100) | 383 | (828) | 0 |
| Derivatives | 4,831 | 856 | (529) | 0 | 0 | 1,064 |
| of which interest rate products | 791 | 14 | (34) | 0 | 0 | 73 |
| of which equity/index-related products | 936 | 224 | (104) | 0 | 0 | 279 |
| of which credit derivatives | 1,568 | 618 | (380) | 0 | 0 | 514 |
| Other | 4,266 | 668 | (516) | 1,931 | (1,448) | 0 |
| Trading assets | 14,531 | 2,153 | (1,770) | 4,931 | (4,849) | 1,064 |
| Investment securities | 148 | 0 | (36) | 81 | (13) | 0 |
| Equity | 366 | 7 | (1) | 52 | (62) | 0 |
| Life finance instruments | 1,669 | 0 | 0 | 96 | (188) | 0 |
| Other investments | 2,035 | 7 | (1) | 148 | (250) | 0 |
| Loans | 8,950 | 401 | (367) | 23 | (383) | 1,966 |
| of which commercial and industrial loans | 5,735 | 220 | (120) | 0 | (219) | 1,299 |
| of which financial institutions | 1,729 | 65 | (34) | 1 | (141) | 372 |
| Other intangible assets (mortgage servicing rights) | 112 | 0 | 0 | 6 | 0 | 0 |
| Other assets | 7,087 | 313 | (973) | 1,252 | (4,853) | 732 |
| of which loans held-for-sale [2] | 6,768 | 204 | (908) | 1,077 | (4,815) | 732 |
| **Total assets at fair value** | **33,021** | **2,874** | **(3,147)** | **6,459** | **(10,366)** | **3,948** |
| **Liabilities (CHF million)** | | | | | | |
| Customer deposits | 254 | 0 | (39) | 0 | 0 | 126 |
| Obligation to return securities received as collateral | 0 | 0 | 0 | 18 | (18) | 0 |
| Trading liabilities | 4,615 | 775 | (501) | 27 | (28) | 838 |
| of which interest rate derivatives | 578 | 15 | (24) | 0 | 0 | 82 |
| of which foreign exchange derivatives | 329 | 4 | (1) | 0 | 0 | 8 |
| of which equity/index-related derivatives | 1,347 | 132 | (183) | 0 | 0 | 248 |
| of which credit derivatives | 1,757 | 620 | (286) | 0 | 0 | 364 |
| Short-term borrowings | 72 | 20 | (8) | 0 | 0 | 117 |
| Long-term debt | 14,123 | 1,285 | (962) | 0 | 0 | 2,539 |
| of which structured notes over two years | 9,924 | 956 | (947) | 0 | 0 | 2,353 |
| of which non-recourse liabilities | 3,197 | 0 | 0 | 0 | 0 | 25 |
| Other liabilities | 2,491 | 140 | (116) | 114 | (43) | 2 |
| of which failed sales | 454 | 27 | (76) | 105 | (3) | 0 |
| **Total liabilities at fair value** | **21,555** | **2,220** | **(1,626)** | **159** | **(89)** | **3,622** |
| **Net assets/(liabilities) at fair value** | **11,466** | **654** | **(1,521)** | **6,300** | **(10,277)** | **326** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

[2] Includes unrealized losses recorded in trading revenues of CHF (71) million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| | | Trading revenues | | Other revenues | | Accumulated other comprehensive income | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | (40) | 0 | 0 | 0 | 0 | 0 | 0 | (4) | 300 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | (11) | (62) | 0 | 2 | 0 | 0 | 2 | 4,456 |
| | 0 | 0 | 36 | 0 | 0 | 0 | 0 | 0 | 2,289 |
| | 0 | (7) | (82) | 0 | 0 | 0 | 0 | (10) | 373 |
| | 0 | 0 | (32) | 0 | 0 | 0 | 0 | (2) | 57 |
| | 0 | 0 | (1) | 0 | 1 | 0 | 0 | (22) | 1,429 |
| | 0 | (39) | (27) | 0 | 0 | 0 | 0 | (9) | 337 |
| | (1,688) | 25 | 525 | 0 | 0 | 0 | 0 | (33) | 5,051 |
| | (101) | 7 | 39 | 0 | 0 | 0 | 0 | (7) | 782 |
| | (286) | 12 | 112 | 0 | 0 | 0 | 0 | 8 | 1,181 |
| | (1,014) | 8 | 287 | 0 | 0 | 0 | 0 | (21) | 1,580 |
| | (189) | (13) | 216 | 0 | 0 | 0 | 0 | (68) | 4,847 |
| | (1,877) | (38) | 652 | 0 | 2 | 0 | 0 | (108) | 14,691 |
| | (85) | (10) | 72 | 0 | 0 | 0 | 0 | (2) | 155 |
| | 0 | 0 | 23 | 0 | 19 | 0 | 0 | 13 | 417 |
| | 0 | 0 | 136 | 0 | 0 | 0 | 0 | (26) | 1,687 |
| | 0 | 0 | 159 | 0 | 19 | 0 | 0 | (13) | 2,104 |
| | (1,443) | (54) | 1 | 0 | 0 | 0 | 0 | (103) | 8,991 |
| | (1,020) | (18) | 14 | 0 | 0 | 0 | 0 | (54) | 5,837 |
| | (306) | 0 | (35) | 0 | 0 | 0 | 0 | (28) | 1,623 |
| | 0 | 0 | 0 | 0 | (4) | 0 | 0 | (3) | 111 |
| | (590) | (47) | (168) | 0 | (3) | 0 | 0 | 88 | 2,838 |
| | (590) | (73) | (84) | 0 | (3) | 0 | 0 | 91 | 2,399 |
| | **(4,035)** | **(149)** | **716** | **0** | **14** | **0** | **0** | **(145)** | **29,190** |
| | (14) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 327 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (1,443) | 71 | 459 | 0 | (37) | 0 | 0 | (43) | 4,733 |
| | (93) | 13 | (22) | 0 | 0 | 0 | 0 | (6) | 543 |
| | (49) | 1 | 148 | 0 | 0 | 0 | 0 | (4) | 436 |
| | (198) | 28 | (141) | 0 | 0 | 0 | 0 | 3 | 1,236 |
| | (964) | 26 | 411 | 0 | 0 | 0 | 0 | (24) | 1,904 |
| | (100) | 0 | 11 | (3) | 0 | 0 | 0 | (1) | 108 |
| | (4,242) | (94) | 322 | 0 | 0 | 0 | (229) | (208) | 12,534 |
| | (658) | (95) | 157 | 0 | 0 | 0 | (229) | (172) | 11,289 |
| | (3,217) | 0 | 25 | 0 | 0 | 0 | 0 | (22) | 8 |
| | (548) | (54) | (68) | (1) | (53) | 0 | 0 | (25) | 1,839 |
| | 0 | 0 | 7 | 0 | 0 | 0 | 0 | (9) | 505 |
| | **(6,347)** | **(77)** | **724** | **(4)** | **(90)** | **0** | **(229)** | **(277)** | **19,541** |
| | **2,312** | **(72)** | **(8)** | **4** | **104** | **0** | **229** | **132** | **9,649** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 6M15 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 77 | 0 | 0 | 0 |
| Debt | 4,461 | 434 | (681) | 1,284 |
| of which corporates | 1,430 | 114 | (131) | 491 |
| of which RMBS | 612 | 259 | (300) | 476 |
| of which CMBS | 257 | 20 | (47) | 139 |
| of which CDO | 1,421 | 17 | (161) | 158 |
| Equity | 896 | 114 | (273) | 561 |
| Derivatives | 6,823 | 1,130 | (593) | 0 |
| of which interest rate products | 1,803 | 23 | (198) | 0 |
| of which equity/index-related products | 1,063 | 306 | (91) | 0 |
| of which credit derivatives | 2,569 | 656 | (304) | 0 |
| Other | 4,323 | 707 | (540) | 2,464 |
| Trading assets | 16,503 | 2,385 | (2,087) | 4,309 |
| Investment securities | 3 | 0 | (65) | 215 |
| Equity | 549 | 0 | 0 | 34 |
| Life finance instruments | 1,834 | 0 | 0 | 100 |
| Other investments | 2,383 | 0 | 0 | 134 |
| Loans | 9,353 | 631 | (750) | 334 |
| of which commercial and industrial loans | 5,853 | 360 | (154) | 12 |
| of which financial institutions | 1,494 | 240 | (132) | 26 |
| Other intangible assets (mortgage servicing rights) | 70 | 0 | 0 | 10 |
| Other assets | 7,468 | 1,260 | (2,460) | 2,880 |
| of which loans held-for-sale | 6,851 | 1,259 | (2,415) | 2,832 |
| **Total assets at fair value** | **35,857** | **4,276** | **(5,362)** | **7,882** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 100 | 15 | (20) | 0 |
| Trading liabilities | 6,417 | 971 | (1,039) | 37 |
| of which interest rate derivatives | 1,202 | 27 | (233) | 0 |
| of which foreign exchange derivatives | 560 | 2 | 0 | 0 |
| of which equity/index-related derivatives | 1,466 | 44 | (468) | 0 |
| of which credit derivatives | 2,760 | 766 | (332) | 0 |
| Short-term borrowings | 95 | 49 | (10) | 0 |
| Long-term debt | 14,608 | 1,189 | (2,724) | 0 |
| of which structured notes over two years | 10,267 | 454 | (1,901) | 0 |
| of which non-recourse liabilities | 2,952 | 626 | (655) | 0 |
| Other liabilities | 3,363 | 45 | (1,129) | 104 |
| of which failed sales | 616 | 4 | (4) | 91 |
| **Total liabilities at fair value** | **24,583** | **2,269** | **(4,922)** | **141** |
| **Net assets/(liabilities) at fair value** | **11,274** | **2,007** | **(440)** | **7,741** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| 0 | 74 | 0 | 0 | 0 | 0 | 0 | (5) | 146 |
| (1,661) | 0 | 0 | (5) | 208 | 0 | 0 | (350) | 3,690 |
| (672) | 0 | 0 | (4) | 156 | 0 | 0 | (147) | 1,237 |
| (483) | 0 | 0 | (2) | 58 | 0 | 0 | (35) | 585 |
| (169) | 0 | 0 | 2 | (31) | 0 | 0 | (13) | 158 |
| (203) | 0 | 0 | (1) | 42 | 0 | 0 | (78) | 1,195 |
| (222) | 0 | 0 | 13 | 43 | 0 | 0 | (56) | 1,076 |
| 0 | 848 | (2,786) | (27) | (172) | 0 | 2 | (369) | 4,856 |
| 0 | 281 | (364) | (6) | (301) | 0 | 0 | (97) | 1,141 |
| 0 | 191 | (503) | 2 | 26 | 0 | 2 | (58) | 938 |
| 0 | 170 | (1,472) | (24) | (181) | 0 | 0 | (122) | 1,292 |
| (2,871) | 0 | (116) | 6 | 154 | 0 | 0 | (231) | 3,896 |
| (4,754) | 848 | (2,902) | (13) | 233 | 0 | 2 | (1,006) | 13,518 |
| (2) | 0 | (8) | 7 | 1 | 0 | 0 | (3) | 148 |
| (91) | 0 | 0 | 0 | 0 | 0 | (12) | (42) | 438 |
| (163) | 0 | 0 | 0 | (45) | 0 | 0 | (101) | 1,625 |
| (254) | 0 | 0 | 0 | (45) | 0 | (12) | (143) | 2,063 |
| (665) | 1,295 | (1,391) | 0 | (5) | 0 | 13 | (546) | 8,269 |
| (502) | 825 | (763) | 0 | 23 | 0 | 5 | (353) | 5,306 |
| (21) | 452 | (132) | 0 | (28) | 0 | 8 | (87) | 1,820 |
| 0 | 0 | 0 | 0 | 6 | 0 | 0 | (5) | 81 |
| (2,359) | 478 | (960) | (2) | (131) | 0 | (13) | (508) | 5,653 |
| (2,242) | 478 | (960) | 1 | (21) | 0 | (13) | (479) | 5,291 |
| **(8,034)** | **2,695** | **(5,261)** | **(8)** | **59** | **0** | **(10)** | **(2,216)** | **29,878** |
| 0 | 0 | (28) | 0 | 0 | 0 | 0 | (9) | 58 |
| (18) | 588 | (2,054) | 27 | (175) | (2) | 1 | (340) | 4,413 |
| 0 | 95 | (142) | (3) | 17 | 0 | 1 | (67) | 897 |
| 0 | 3 | (43) | 0 | (210) | 0 | 0 | (27) | 285 |
| 0 | 129 | (190) | 43 | 214 | 0 | 0 | (87) | 1,151 |
| 0 | 164 | (1,567) | (13) | (188) | (2) | 0 | (131) | 1,457 |
| 0 | 175 | (90) | 0 | 7 | 0 | 0 | (8) | 218 |
| 0 | 4,926 | (3,108) | 6 | (185) | 0 | 0 | (865) | 13,847 |
| 0 | 3,688 | (2,209) | 8 | (125) | 0 | 0 | (619) | 9,563 |
| 0 | 552 | (470) | (2) | (52) | 0 | 0 | (165) | 2,786 |
| (72) | 0 | (178) | 0 | (83) | 7 | 214 | (201) | 2,070 |
| (46) | 0 | 0 | 2 | (115) | 0 | 0 | (34) | 514 |
| **(90)** | **5,689** | **(5,458)** | **33** | **(436)** | **5** | **215** | **(1,423)** | **20,606** |
| **(7,944)** | **(2,994)** | **197** | **(41)** | **495** | **(5)** | **(225)** | **(793)** | **9,272** |

**Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)**

| in | 6M16 | | | 6M15 | | |
|---|---|---|---|---|---|---|
| | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | (80) | 108 | **28** [1] | 454 | (230) | **224** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (294) | 13 | **(281)** | (464) | (21) | **(485)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

### Transfers in and out of level 3

Transfers into level 3 assets during 6M16 were CHF 2,874 million, primarily from trading assets and loans. The transfers were primarily in the corporate credit and emerging markets businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 6M16 were CHF 3,147 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit, emerging markets and prime services businesses due to increased availability of pricing information.

Transfers into level 3 assets during 2Q16 were CHF 1,484 million, primarily from trading assets. The transfers were primarily in the corporate credit and emerging markets businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2Q16 were CHF 1,289 million, primarily in trading assets. The transfers out of level 3 assets were primarily in the global credit, emerging markets and prime services businesses due to increased availability of pricing information.

### Qualitative disclosures of valuation techniques

#### Overview

The Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Group's financial instruments.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's valuation control framework.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the tables "Quantitative information about level 3 assets at fair value" and "Quantitative information about level 3 liabilities at fair value".

#### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

#### Debt securities

##### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized as level 1 instruments. For debt securities for which market prices are not available, valuations are

based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorized as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price and correlation. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

#### CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate and discount rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity, discount rate and credit spread. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

### Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortization (EBITDA) multiple.

### Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

The valuation of derivatives includes an adjustment for the cost of funding uncollateralized OTC derivatives.

#### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options

and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility skew, prepayment rate, basis spread, gap risk and funding spread.

Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

Equity and index-related derivatives

Equity derivatives include a variety of products ranging from vanilla options and swaps to exotic structures with bespoke payoff profiles. The main inputs in the valuation of equity derivatives may include volatility, buyback probability, gap risk and correlation.

Generally, the interrelationship between the volatility and correlation is positively correlated.

Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread and correlation. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

**Other trading assets**

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of market implied life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual-specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

**Other investments**

Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published NAVs as permitted by ASC Topic 820 – Fair Value Measurement. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not in line with the fund's observable market data, it is probable that the investment will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs. The investments for which the fair value is measured using the net asset value practical expedient are not categorized within the fair value hierarchy.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

Life finance instruments

Life finance instruments include Single Premium Immediate Annuities (SPIA) and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

### Loans

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a loan pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available. The fair value of the consolidated financial assets of RMBS and CMBS securitization vehicles, which qualify as collateralized financing entities, are measured on the basis of the more observable fair value of the VIEs financial liabilities.

Accrual based loans in the Group's private, corporate and institutional banking businesses, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

### Deposits

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

### Short-term borrowings and long-term debt

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buyback probability, gap risk, correlation, volatility, credit spread, mean reversion and price.

Generally, the interrelationships between volatility, correlation, gap risk and credit spread inputs are positively correlated.

### Other liabilities

#### Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

### Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of EBITDA multiple, market implied life expectancy (for life finance instruments), buyback probability, correlation, price, volatility, volatility skew or funding spread, in general, an increase in the significant

unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of market implied life expectancy (for life settlement and premium finance instruments), capitalization rate, discount rate, prepayment rate, gap risk, recovery rate or credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input mean reversion would increase the fair value. An increase in the significant unobservable input basis spread would decrease the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

## Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

### Quantitative information about level 3 assets at fair value

| end of 2Q16<br>CHF million, except where indicated | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 300 | Discounted cash flow | Funding spread, in bp | 10 | 450 | 215 |
| Debt | 4,456 | | | | | |
| of which corporates | 2,289 | | | | | |
| of which | 467 | Option model | Correlation, in % | (85) | 98 | 22 |
| of which | 1,440 | Market comparable | Price, in % | 0 | 131 | 92 |
| of which | 47 | Discounted cash flow | Credit spread, in bp | 140 | 1,169 | 292 |
| of which RMBS | 373 | Discounted cash flow | Discount rate, in % | 0 | 39 | 8 |
| | | | Prepayment rate, in % | 0 | 28 | 9 |
| | | | Default rate, in % | 0 | 15 | 4 |
| | | | Loss severity, in % | 0 | 100 | 55 |
| of which CMBS | 57 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 0 | 11 | 5 |
| | | | Prepayment rate, in % | 0 | 15 | 5 |
| of which CDO | 1,429 | | | | | |
| of which | 206 | Discounted cash flow | Discount rate, in % | 5 | 32 | 16 |
| | | | Prepayment rate, in % | 0 | 20 | 11 |
| | | | Credit spread, in bp | 166 | 305 | 213 |
| | | | Default rate, in % | 0 | 8 | 2 |
| | | | Loss severity, in % | 3 | 100 | 62 |
| of which | 805 | Market comparable | Price, in % | 207 | 207 | 207 |
| Equity | 337 | Market comparable | EBITDA multiple | 0 | 10 | 6 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2Q16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 5,051 | | | | | |
| of which interest rate products | 782 | Option model | Correlation, in % | 16 | 100 | 49 |
| | | | Prepayment rate, in % | 1 | 36 | 14 |
| | | | Volatility skew, in % | (8) | 0 | (3) |
| of which equity/index-related products | 1,181 | Option model | Correlation, in % | (85) | 98 | 21 |
| | | | Volatility, in % | 0 | 144 | 18 |
| | | | Buyback probability, in % [2] | 50 | 100 | 63 |
| | | | Gap risk, in % [3] | 0 | 5 | 2 |
| of which credit derivatives | 1,580 | Discounted cash flow | Credit spread, in bp | 0 | 2,799 | 398 |
| | | | Recovery rate, in % | 0 | 93 | 23 |
| | | | Discount rate, in % | 3 | 55 | 20 |
| | | | Default rate, in % | 0 | 33 | 6 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 43 | 97 | 92 |
| | | | Prepayment rate, in % | 0 | 12 | 5 |
| Other | 4,847 | | | | | |
| of which | 3,551 | Market comparable | Price, in % | 0 | 102 | 41 |
| of which | 941 | Discounted cash flow | Market implied life expectancy, in years | 3 | 17 | 9 |
| Trading assets | 14,691 | | | | | |
| Investment securities | 155 | – | – | – | – | – |
| Private equity | 7 | – | – | – | – | – |
| Other equity investments | 410 | – | – | – | – | – |
| Life finance instruments | 1,687 | Discounted cash flow | Market implied life expectancy, in years | 2 | 19 | 7 |
| Other investments | 2,104 | | | | | |
| Loans | 8,991 | | | | | |
| of which commercial and industrial loans | 5,837 | | | | | |
| of which | 4,783 | Discounted cash flow | Credit spread, in bp | 5 | 5,400 | 431 |
| of which | 995 | Market comparable | Price, in % | 0 | 106 | 64 |
| of which financial institutions | 1,623 | | | | | |
| of which | 1,546 | Discounted cash flow | Credit spread, in bp | 78 | 846 | 333 |
| of which | 14 | Market comparable | Price, in % | 0 | 70 | 70 |
| Other intangible assets (mortgage servicing rights) | 111 | – | – | – | – | – |
| Other assets | 2,838 | | | | | |
| of which loans held-for-sale | 2,399 | | | | | |
| of which | 274 | Vendor price | Price, in % | 25 | 99 | 97 |
| of which | 828 | Discounted cash flow | Credit spread, in bp | 117 | 1,845 | 374 |
| | | | Recovery rate, in % | 0 | 1 | 1 |
| of which | 945 | Market comparable | Price, in % | 0 | 101 | 65 |
| **Total level 3 assets at fair value** | **29,190** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | Discounted cash flow | Funding spread, in bp | 350 | 475 | 361 |
| Debt | 4,563 | | | | | |
| of which corporates | 1,745 | | | | | |
| of which | 240 | Option model | Correlation, in % | (87) | 99 | 17 |
| of which | 836 | Market comparable | Price, in % | 0 | 128 | 29 |
| of which | 285 | Discounted cash flow | Credit spread, in bp | 134 | 1,408 | 493 |
| of which RMBS | 814 | Discounted cash flow | Discount rate, in % | 1 | 36 | 8 |
| | | | Prepayment rate, in % | 0 | 27 | 9 |
| | | | Default rate, in % | 0 | 20 | 3 |
| | | | Loss severity, in % | 0 | 100 | 50 |
| of which CMBS | 215 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 0 | 23 | 8 |
| | | | Prepayment rate, in % | 0 | 16 | 3 |
| | | | Default rate, in % | 0 | 32 | 1 |
| | | | Loss severity, in % | 0 | 75 | 4 |
| of which CDO | 1,298 | | | | | |
| of which | 66 | Vendor price | Price, in % | 0 | 100 | 96 |
| of which | 329 | Discounted cash flow | Discount rate, in % | 1 | 25 | 11 |
| | | | Prepayment rate, in % | 0 | 20 | 14 |
| | | | Credit spread, in bp | 293 | 336 | 309 |
| | | | Default rate, in % | 0 | 10 | 2 |
| | | | Loss severity, in % | 0 | 100 | 46 |
| of which | 807 | Market comparable | Price, in % | 214 | 214 | 214 |
| Equity | 871 | | | | | |
| of which | 342 | Option model | Volatility, in % | 2 | 253 | 29 |
| of which | 471 | Market comparable | EBITDA multiple | 3 | 12 | 8 |
| | | | Price, in % | 0 | 202 | 96 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 4,831 | | | | | |
| of which interest rate products | 791 | Option model | Correlation, in % | 17 | 100 | 63 |
| | | | Prepayment rate, in % | 1 | 36 | 16 |
| | | | Volatility skew, in % | (8) | 0 | (2) |
| | | | Mean reversion, in % [2] | 5 | 10 | 10 |
| | | | Credit spread, in bp | 130 | 1,687 | 330 |
| of which equity/index-related products | 936 | | | | | |
| | 778 | Option model | Correlation, in % | (87) | 99 | 23 |
| | | | Volatility, in % | 0 | 253 | 26 |
| | 109 | Market comparable | EBITDA multiple | 4 | 10 | 7 |
| | | | Price, in % | 97 | 97 | 97 |
| of which credit derivatives | 1,568 | Discounted cash flow | Credit spread, in bp | 1 | 2,349 | 331 |
| | | | Recovery rate, in % | 0 | 60 | 23 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 35 | 6 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 43 | 97 | 85 |
| | | | Prepayment rate, in % | 0 | 12 | 4 |
| | | | Funding spread, in bp | 61 | 68 | 67 |
| Other | 4,266 | | | | | |
| of which | 2,859 | Market comparable | Price, in % | 0 | 106 | 45 |
| of which | 865 | Discounted cash flow | Market implied life expectancy, in years | 3 | 18 | 8 |
| Trading assets | 14,531 | | | | | |
| Investment securities | 148 | – | – | – | – | – |
| Other equity investments | 366 | – | – | – | – | – |
| Life finance instruments | 1,669 | Discounted cash flow | Market implied life expectancy, in years | 2 | 20 | 8 |
| Other investments | 2,035 | | | | | |
| Loans | 8,950 | | | | | |
| of which commercial and industrial loans | 5,735 | | | | | |
| of which | 3,799 | Discounted cash flow | Credit spread, in bp | 70 | 2,528 | 474 |
| of which | 1,146 | Market comparable | Price, in % | 0 | 106 | 65 |
| of which financial institutions | 1,729 | | | | | |
| | 1,451 | Discounted cash flow | Credit spread, in bp | 84 | 826 | 359 |
| | 109 | Market comparable | Price, in % | 0 | 100 | 98 |
| Other intangible assets (mortgage servicing rights) | 112 | – | – | – | – | – |
| Other assets | 7,087 | | | | | |
| of which loans held-for-sale | 6,768 | | | | | |
| of which | 3,594 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 722 | Discounted cash flow | Credit spread, in bp | 99 | 3,220 | 515 |
| | | | Recovery rate, in % | 1 | 1 | 1 |
| of which | 2,251 | Market comparable | Price, in % | 0 | 104 | 76 |
| **Total level 3 assets at fair value** | **33,021** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value

| end of 2Q16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 327 | – | – | – | – | – |
| Trading liabilities | 4,733 | | | | | |
| of which interest rate derivatives | 543 | Option model | Basis spread, in bp | (16) | 73 | 39 |
| | | | Correlation, in % | 16 | 100 | 82 |
| | | | Prepayment rate, in % | 0 | 36 | 7 |
| | | | Gap risk, in % [2] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 436 | Option model | Correlation, in % | (10) | 70 | 55 |
| | | | Prepayment rate, in % | 25 | 36 | 30 |
| of which equity/index-related derivatives | 1,236 | Option model | Correlation, in % | (85) | 98 | 21 |
| | | | Volatility, in % | 2 | 144 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 63 |
| of which credit derivatives | 1,904 | Discounted cash flow | Credit spread, in bp | 0 | 2,799 | 274 |
| | | | Discount rate, in % | 3 | 55 | 20 |
| | | | Default rate, in % | 0 | 33 | 6 |
| | | | Recovery rate, in % | 2 | 82 | 25 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 16 | 96 | 64 |
| | | | Prepayment rate, in % | 0 | 14 | 5 |
| Short-term borrowings | 108 | – | – | – | – | – |
| Long-term debt | 12,534 | | | | | |
| of which structured notes over two years | 11,289 | | | | | |
| of which | 10,396 | Option model | Correlation, in % | (85) | 99 | 22 |
| | | | Volatility, in % | 2 | 144 | 30 |
| | | | Buyback probability, in % [3] | 50 | 100 | 63 |
| | | | Gap risk, in % [2] | 0 | 2 | 1 |
| | | | Mean reversion, in % [4] | (14) | (1) | (7) |
| of which | 667 | Discounted cash flow | Credit spread, in bp | 1 | 2,011 | 236 |
| Other liabilities | 1,839 | | | | | |
| of which failed sales | 505 | | | | | |
| of which | 424 | Market comparable | Price, in % | 0 | 100 | 79 |
| of which | 37 | Discounted cash flow | Discount rate, in % | 6 | 43 | 25 |
| **Total level 3 liabilities at fair value** | **19,541** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[3] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[4] Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 254 | – | – | – | – | – |
| Trading liabilities | 4,615 | | | | | |
| of which interest rate derivatives | 578 | Option model | Basis spread, in bp | (7) | 53 | 25 |
| | | | Correlation, in % | 17 | 100 | 75 |
| | | | Mean reversion, in % [2] | 5 | 10 | 8 |
| | | | Prepayment rate, in % | 0 | 36 | 9 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 329 | Option model | Correlation, in % | (10) | 70 | 54 |
| | | | Prepayment rate, in % | 24 | 36 | 30 |
| of which equity/index-related derivatives | 1,347 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 26 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| of which credit derivatives | 1,757 | Discounted cash flow | Credit spread, in bp | 1 | 1,687 | 275 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 33 | 5 |
| | | | Recovery rate, in % | 8 | 60 | 27 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 17 | 95 | 80 |
| | | | Funding spread, in bp | 51 | 68 | 68 |
| | | | Prepayment rate, in % | 0 | 12 | 5 |
| Short-term borrowings | 72 | – | – | – | – | – |
| Long-term debt | 14,123 | | | | | |
| of which structured notes over two years | 9,924 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 28 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| | | | Gap risk, in % [3] | 0 | 3 | 1 |
| | | | Credit spread, in bp | 153 | 182 | 177 |
| of which non-recourse liabilities | 3,197 | | | | | |
| of which | 3,183 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 14 | Market comparable | Price, in % | 0 | 87 | 9 |
| Other liabilities | 2,491 | | | | | |
| of which failed sales | 454 | | | | | |
| of which | 379 | Market comparable | Price, in % | 0 | 106 | 90 |
| of which | 68 | Discounted cash flow | Credit spread, in bp | 571 | 1,687 | 1,425 |
| | | | Discount rate, in % | 7 | 23 | 15 |
| **Total level 3 liabilities at fair value** | **21,555** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[4] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.

### Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above results in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

#### Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest, while the higher end of the range relates to collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates, while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary from collateral pool to collateral pool, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and volatility skew

Volatility and its skew are both impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility may vary significantly between different underlying currencies and expiration dates on the options. Similarly, in the case of equity derivatives, the volatility attributed to a structure may vary depending upon the underlying reference name on the derivative.

Market implied life expectancy

Market implied life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA, and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of the insured.

Price

Bond equivalent price is a primary significant unobservable input for multiple products. Where market prices are not available for an instrument, benchmarking may be utilized to identify comparable issues (same industry and similar product mixes) while adjustments are considered for differences in deal terms and performance.

Buyback probability

Buyback probability is the probability assigned to structured notes being unwound prior to their legal maturity.

Gap risk

Gap risk is the primary significant unobservable input for fund-linked Constant Proportion Portfolio Insurance products and structures where the payoff may be sensitive to discontinuity in the hedging portfolio.

Mean reversion

Mean reversion is the primary significant unobservable input for callable constant maturity swap (CMS) spread exotics and represents the idea that prices and returns eventually move back towards the historical average.

Funding spread

Funding spread is the primary significant unobservable input for special purpose vehicle funding facilities. Synthetic funding curves which represent the assets pledged as collateral are used to value structured financing transactions. The curves provide an estimate of where secured funding can be sourced and are expressed as a basis point spread in relation to the referenced benchmark rate.

Capitalization rate

Capitalization rate is the primary significant unobservable input for CMBS loans and is used to estimate the potential return on investment. This is done by dividing the yearly income by the total value of the property.

Basis spread

Basis spread is the primary significant unobservable input for non-callable constant maturity treasury-CMS products and is used to determine interest rate risk as a result of differing lending and borrowing rates.

EBITDA multiple

EBITDA multiple is a primary significant unobservable input for some equity deals which are benchmarked using industry comparables. The EBITDA multiple may be preferred over other measures because it is normalized for differences between the accounting policies of similar companies.

**Fair value measurements of investments in certain entities that calculate NAV per share**

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which is generally up to 10 years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

**Fair value, unfunded commitments and term of redemption conditions**

| end of | 2Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 |
| Equity funds | 69 | 1,701 [1] | 1,770 | 0 | 79 | 1,606 [2] | 1,685 | 0 |
| Equity funds sold short | 0 | (5) | (5) | 0 | 0 | (6) | (6) | 0 |
| Total funds held in trading assets and liabilities | 69 | 1,696 | 1,765 | 0 | 81 | 1,600 | 1,681 | 0 |
| Debt funds | 200 | 38 | 238 | 0 | 184 | 76 | 260 | 1 |
| Equity funds | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 35 | 35 | 0 | 0 | 35 | 35 | 0 |
| Hedge funds | 201 | 73 [3] | 274 | 0 | 184 | 111 [4] | 295 | 1 |
| Debt funds | 7 | 0 | 7 | 5 | 11 | 0 | 11 | 17 |
| Equity funds | 237 | 0 | 237 | 55 | 437 | 0 | 437 | 115 |
| Real estate funds | 221 | 0 | 221 | 57 | 282 | 0 | 282 | 76 |
| Others | 125 | 0 | 125 | 65 | 312 | 0 | 312 | 141 |
| Private equities | 590 | 0 | 590 | 182 | 1,042 | 0 | 1,042 | 349 |
| Equity method investments | 444 | 96 | 540 | 76 | 660 | 196 | 856 | 100 |
| Total funds held in other investments | 1,235 | 169 | 1,404 | 258 | 1,886 | 307 | 2,193 | 450 |
| **Total fair value** | **1,304** [5] | **1,865** [6] | **3,169** | **258** [7] | **1,967** [5] | **1,907** [6] | **3,874** | **450** [7] |

[1] 46% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 29% is redeemable on an annual basis with a notice period of more than 60 days, 18% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 7% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[2] 40% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 31% is redeemable on an annual basis with a notice period of more than 60 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 6% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[3] 72% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 18% is redeemable on demand with a notice period primarily of less than 30 days, 7% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

[4] 87% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, 5% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

[5] Includes CHF 179 million and CHF 464 million attributable to noncontrolling interests in 2Q16 and 4Q15, respectively.

[6] Includes CHF 5 million and CHF 9 million attributable to noncontrolling interests in 2Q16 and 4Q15, respectively.

[7] Includes CHF 51 million and CHF 176 million attributable to noncontrolling interests in 2Q16 and 4Q15, respectively.

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use. Nonrecurring measurements are completed as of period's end unless otherwise stated.

### Nonrecurring fair value changes

| end of | **2Q16** | 4Q15 |
|---|---|---|
| **CHF billion** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.2** | **0.1** |
| of which level 2 | 0.2 | 0.1 |

## FAIR VALUE OPTION

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in the investment banking businesses and International Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's election of the fair value option for certain of its financial statement captions.

### Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

| end of | **2Q16** | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 1,364 | 5,106 | (3,742) | 1,628 | 5,019 | (3,391) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 0 | 0 | 0 | 2 | 2 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 79,927 | 79,790 | 137 | 83,565 | 83,397 | 168 |
| Loans | 20,831 | 21,858 | (1,027) | 20,820 | 22,289 | (1,469) |
| Other assets [1] | 12,137 | 16,323 | (4,186) | 23,906 | 30,308 | (6,402) |
| Due to banks and customer deposits | (1,073) | (960) | (113) | (913) | (826) | (87) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (18,114) | (18,100) | (14) | (32,398) | (32,381) | (17) |
| Short-term borrowings | (2,996) | (3,063) | 67 | (3,112) | (3,263) | 151 |
| Long-term debt | (73,922) | (78,861) | 4,939 | (80,931) | (85,335) | 4,404 |
| Other liabilities | (1,069) | (2,609) | 1,540 | (984) | (2,619) | 1,635 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| in | 6M16 | 6M15 |
|---|---|---|
| | Net gains/ (losses) | Net gains/ (losses) |
| **Financial instruments (CHF million)** | | |
| Interest-bearing deposits with banks | 1 [1] | 1 [1] |
| of which related to credit risk | 0 | (1) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 670 [1] | 640 [1] |
| Other investments | 224 [2] | (37) [2] |
| of which related to credit risk | (5) | (2) |
| Loans | 912 [1] | 442 [1] |
| of which related to credit risk | (106) | 45 |
| Other assets | (287) [2] | 355 [1] |
| of which related to credit risk | (264) | (64) |
| Due to banks and customer deposits | (65) [2] | 36 [2] |
| of which related to credit risk | (5) | 27 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (83) [1] | 47 [2] |
| Short-term borrowings | 437 [2] | (18) [2] |
| Long-term debt | (1,488) [2] | 660 [2] |
| of which related to credit risk | 0 | 288 [3] |
| Other liabilities | 326 [2] | 189 [2] |
| of which related to credit risk | 220 | 11 |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF (8) million and CHF 301 million in 6M15, respectively.

The following table provides additional information regarding the gains and losses attributable to changes in instrument-specific credit risk on fair value option elected liabilities which are recorded through AOCI. The table includes both the amount of change during the period and cumulatively that is attributable to the changes in instrument-specific credit risk. In addition it includes the gains and losses related to instrument-specific credit risk that was previously recorded in AOCI that have been transferred during the period to net income.

## Own credit gains/(losses) on fair value option elected instruments recorded in AOCI

| | Gains/(losses) recorded into AOCI [1] | | Gains/(losses) recorded in AOCI transferred to net income [1] |
|---|---|---|---|
| in | **2Q16** | **Cumulatively** | **2Q16** |
| **Financial instruments (CHF million)** | | | |
| Deposits | (1) | 0 | 0 |
| Short-term borrowings | (1) | (1) | 0 |
| Long-term debt | (9) | 1,830 | 0 |
| of which treasury debt over two years | (33) | 763 | 0 |
| of which structured notes over two years | 30 | 1,058 | 0 |
| **Total** | **(11)** | **1,829** | **0** |

[1] Amounts are reflected gross of tax.

## FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheets. The disclosure excludes all non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations.

### Carrying value and fair value of financial instruments not carried at fair value

| | Carrying value | Fair value | | | |
|---|---|---|---|---|---|
| end of | | Level 1 | Level 2 | Level 3 | Total |
| **2Q16** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 42,140 | 0 | 42,140 | 0 | 42,140 |
| Loans | 249,027 | 0 | 252,112 | 6,406 | 258,518 |
| Other financial assets [1] | 178,593 | 113,893 | 63,034 | 1,945 | 178,872 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 366,367 | 203,187 | 163,123 | 0 | 366,310 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 14,385 | 0 | 14,351 | 0 | 14,351 |
| Short-term borrowings | 8,182 | 0 | 8,184 | 0 | 8,184 |
| Long-term debt | 126,304 | 0 | 127,378 | 594 | 127,972 |
| Other financial liabilities [2] | 67,993 | 2,292 | 65,253 | 463 | 68,008 |
| **4Q15** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 39,485 | 0 | 39,485 | 0 | 39,485 |
| Loans | 248,326 | 0 | 250,639 | 6,150 | 256,789 |
| Other financial assets [1] | 148,491 | 92,547 | 54,359 | 1,893 | 148,799 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 359,614 | 206,475 | 153,545 | 0 | 360,020 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 14,200 | 0 | 14,401 | 0 | 14,401 |
| Short-term borrowings | 5,546 | 0 | 5,545 | 0 | 5,545 |
| Long-term debt | 116,676 | 0 | 117,321 | 778 | 118,099 |
| Other financial liabilities [2] | 63,921 | 32 | 63,440 | 578 | 64,050 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 30 Assets pledged and collateral

The Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are disclosed on the consolidated balance sheet.

### Assets pledged

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 117,809 | 137,330 |
| of which encumbered | 80,600 | 91,278 |

### Collateral

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Group was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | 2Q16 | 4Q15 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 386,480 | 422,269 |
| of which sold or repledged | 184,537 | 186,132 |

## 31 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The Group's material proceedings, related provisions and estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions are described in *Note 39 – Litigation in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015* and updated in subsequent quarterly reports (including those discussed below). Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Group accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

The specific matters described include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed in Note 39 referenced above and updated in quarterly reports (including below) for which the Group believes an estimate is possible is zero to CHF 2.1 billion.

In 2Q16, the Group recorded net litigation provisions of CHF 86 million. After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

**Enron-related litigation**

On June 2, 2016, the Judicial Panel on Multidistrict Litigation entered an order granting plaintiffs' motion to remand the Silvercreek Management Inc. v. Citigroup, Inc., et al. case to the US District Court for the Southern District of New York (SDNY) for further proceedings.

**Mortgage-related matters**

The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance.

Class action litigations

On May 10, 2016, the SDNY granted its final approval of a settlement of USD 110 million relating to the New Jersey Carpenters Health Fund v. Home Equity Mortgage Trust 2006-5 class action and entered a final judgment and order of dismissal with prejudice in respect of this matter.

Individual investor actions

On May 4, 2016, the Washington state court presiding in the action brought by the Federal Home Loan Bank of Seattle granted Credit Suisse Securities (USA) LLC (CSS LLC) and its affiliates' motion for partial summary judgment, dismissing with prejudice all claims related to certain RMBS, thus reducing the RMBS at issue against CSS LLC and its affiliates in the Seattle action from approximately USD 249 million to approximately USD 104 million. The July 2016 trial date for CSS LLC and its affiliates has been removed from the calendar, and a new trial date for a date in or after October 2016 is yet to be set.

On June 1, 2016, following a settlement, a stipulation of dismissal with prejudice was filed with the US District Court for the Middle District of Alabama, which was entered by the court on June 8, 2016, discontinuing the action brought by the Federal Deposit Insurance Corporation (FDIC) as receiver for Colonial Bank relating to approximately USD 34 million of the RMBS at issue against CSS LLC (approximately 12% of the USD 283 million at issue against all defendants in the operative pleading).

On June 8, 2016, following a settlement, the US Court of Appeals for the Ninth Circuit, presiding in the appeal of the action brought by the FDIC as receiver for Colonial Bank in the US District Court for the Central District of California (CDC), granted the stipulation withdrawing FDIC's appeal of the CDC's dismissal with prejudice of all claims against CSS LLC, relating to approximately USD 12 million of the RMBS at issue (approximately 5% of the USD 259 million at issue against all defendants in the operative pleading). Thus, the entire action is dismissed with prejudice.

On June 13, 2016, the California state court presiding in the actions brought by the Federal Home Loan Bank of San Francisco dismissed with prejudice certain claims against CSS LLC and its affiliates, reducing the RMBS at issue against CSS LLC and its affiliates in the San Francisco actions from approximately USD 1.7 billion to approximately USD 1.6 billion (approximately 17% of the USD 9.5 billion at issue against all defendants in the operative pleadings, reduced to reflect dismissal of actions relating to certain certificates). On June 14, 2016, the court entered an order postponing the trial from August 2016 to October 2016.

**Refco-related litigation**

On June 15, 2016, following a settlement, the US Court of Appeals for the Second Circuit (Second Circuit), presiding in the appeal of the action brought by the Joint Official Liquidators of various SPhinX Funds and the trustee of the SPhinX Trust in the SDNY, granted the stipulation withdrawing the appeal, with prejudice, as to CSS LLC and another defendant in the action. Thus, the entire action against CSS LLC is dismissed with prejudice.

**Rates-related matters**

On May 11, 2016, the SDNY preliminarily approved plaintiffs' settlement agreements with Credit Suisse AG, New York Branch, and six other financial institutions in the consolidated civil class action lawsuit relating to the alleged manipulation of the ISDAFIX rate for US dollars. The settlement provides for dismissal of the case with

prejudice and a settlement payment of USD 50 million by Credit Suisse. The settlements remain subject to final court approval.

On May 19, 2016, affiliates of Credit Suisse Group AG, along with several other financial institutions, filed a motion to dismiss a putative class action in the SDNY. The plaintiffs allege that the defendant financial institutions conspired to manipulate certain foreign exchange rates in violation of the US Employee Retirement Income Security Act of 1974.

On May 23, 2016, in the multi-district litigation concerning US Dollar LIBOR, the Second Circuit reversed the decision of the SDNY dismissing plaintiffs' Sherman Antitrust Act claims and remanded the claims to the SDNY for additional briefing on the issue of whether such claims have been adequately alleged.

Additional putative class action complaints and another individual lawsuit were filed against Credit Suisse Group AG and affiliates, along with other financial institutions, relating to interest rate swaps (IRS). Similar to previously filed complaints, plaintiffs allege that dealer defendants conspired with trading platforms to prevent the development of IRS exchanges. The second individual lawsuit was brought by Javelin Capital Markets LLC, a swap execution facility, and an affiliate, which claim to have suffered lost profits as a result of defendants' alleged conspiracy. All IRS actions, including the two individual actions, have been consolidated in a multi-district litigation in the SDNY. Plaintiffs have not yet filed a consolidated complaint.

On July 1, 2016, Credit Suisse AG and Credit Suisse Group AG, along with other financial institutions, were named in a putative class action brought in the SDNY, alleging manipulation of the Singapore Interbank Offered Rate and Singapore Swap Offer Rate.

Credit Suisse Group AG and affiliates, along with other financial institutions and individuals, have been named in several putative class action complaints filed in the SDNY relating to supranational, sub-sovereign, and agency (SSA) bonds. The complaints generally allege that defendants conspired to fix the prices of SSA bonds sold to and purchased from investors in the secondary market.

**ATA litigation**

On July 12, 2016, plaintiffs filed a second amended complaint in the US District Court for the Eastern District of New York against a number of banks, including Credit Suisse AG, alleging claims under the United States Anti-Terrorism Act (ATA). Credit Suisse AG plans to move to dismiss this version of the complaint on essentially the same grounds set forth in its previous motions to dismiss the earlier complaints.

**Mossack Fonseca matter**

Credit Suisse, along with many financial institutions, has received inquiries from governmental and regulatory authorities concerning banking relationships between financial institutions, their clients and the Panama-based law firm of Mossack Fonseca. Credit Suisse is conducting a review of these issues and has been cooperating with the authorities.

## 32 Subsidiary guarantee information

Certain wholly-owned finance subsidiaries of the Group, including Credit Suisse Group Funding (Guernsey) Limited, which is a Guernsey incorporated non-cellular company limited by shares, have issued securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law for the Guernsey subsidiary, applicable to some of the Group's subsidiaries that may limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly owned subsidiary of the Group.

As part of an announced program to evolve the Group's legal entity structure to meet developing and future regulatory requirements and US Federal Reserve regulation on establishing Intermediate Holding Companies in the US for non-US banks, legal entities are re-parented as subsidiaries of Credit Suisse (USA), Inc. Prior periods are restated to conform to the current presentation to reflect the impact of such transactions.

## Condensed consolidating statements of operations

| in 2Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,421 | 3,222 | 4,643 | 69 | 45 | 4,757 |
| Interest expense | (961) | (1,778) | (2,739) | (82) | 63 | (2,758) |
| Net interest income | 460 | 1,444 | 1,904 | (13) | 108 | 1,999 |
| Commissions and fees | 909 | 1,819 | 2,728 | 7 | 61 | 2,796 |
| Trading revenues | (167) | 264 | 97 | 13 | (16) | 94 |
| Other revenues | 198 | 36 | 234 | 158 [2] | (173) | 219 |
| **Net revenues** | **1,400** | **3,563** | **4,963** | **165** | **(20)** | **5,108** |
| **Provision for credit losses** | **(8)** | **(26)** | **(34)** | **0** | **6** | **(28)** |
| Compensation and benefits | 790 | 1,960 | 2,750 | 13 | (29) | 2,734 |
| General and administrative expenses | 464 | 1,293 | 1,757 | (19) | 22 | 1,760 |
| Commission expenses | 60 | 290 | 350 | 1 | 1 | 352 |
| Restructuring expenses | 22 | 63 | 85 | 0 | 6 | 91 |
| Total other operating expenses | 546 | 1,646 | 2,192 | (18) | 29 | 2,203 |
| **Total operating expenses** | **1,336** | **3,606** | **4,942** | **(5)** | **0** | **4,937** |
| **Income/(loss) from continuing operations before taxes** | **72** | **(17)** | **55** | **170** | **(26)** | **199** |
| Income tax expense | 7 | 1 | 8 | 0 | 13 | 21 |
| **Net income/(loss)** | **65** | **(18)** | **47** | **170** | **(39)** | **178** |
| Net income/(loss) attributable to noncontrolling interests | 50 | (41) | 9 | 0 | (1) | 8 |
| **Net income/(loss) attributable to shareholders** | **15** | **23** | **38** | **170** | **(38)** | **170** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 2Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 65 | (18) | 47 | 170 | (39) | 178 |
| Gains/(losses) on cash flow hedges | 0 | 22 | 22 | (2) | 0 | 20 |
| Foreign currency translation | 306 | 26 | 332 | 4 | 9 | 345 |
| Unrealized gains/(losses) on securities | 0 | 1 | 1 | 0 | 1 | 2 |
| Actuarial gains/(losses) | 6 | 4 | 10 | 0 | 72 | 82 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (25) | (25) |
| Gains/(losses) on liabilities relating to credit risk | 6 | (56) | (50) | (10) | (9) | (69) |
| Other comprehensive income/(loss), net of tax | 318 | (3) | 315 | (8) | 48 | 355 |
| **Comprehensive income/(loss)** | **383** | **(21)** | **362** | **162** | **9** | **533** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 65 | (32) | 33 | 0 | (11) | 22 |
| **Comprehensive income attributable to shareholders** | **318** | **11** | **329** | **162** | **20** | **511** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 2Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,758 | 4,025 | 5,783 | 67 | 53 | 5,903 |
| Interest expense | (1,032) | (1,983) | (3,015) | (80) | 61 | (3,034) |
| Net interest income | 726 | 2,042 | 2,768 | (13) | 114 | 2,869 |
| Commissions and fees | 1,083 | 2,124 | 3,207 | 5 | 47 | 3,259 |
| Trading revenues | (25) | 517 | 492 | 5 | 1 | 498 |
| Other revenues | 177 | 162 | 339 | 1,029 [2] | (1,039) | 329 |
| **Net revenues** | **1,961** | **4,845** | **6,806** | **1,026** | **(877)** | **6,955** |
| **Provision for credit losses** | **5** | **33** | **38** | **0** | **13** | **51** |
| Compensation and benefits | 927 | 1,983 | 2,910 | 16 | (12) | 2,914 |
| General and administrative expenses | 482 | 1,464 | 1,946 | (41) | 23 | 1,928 |
| Commission expenses | 67 | 337 | 404 | 1 | 1 | 406 |
| Total other operating expenses | 549 | 1,801 | 2,350 | (40) | 24 | 2,334 |
| **Total operating expenses** | **1,476** | **3,784** | **5,260** | **(24)** | **12** | **5,248** |
| **Income/(loss) from continuing operations before taxes** | **480** | **1,028** | **1,508** | **1,050** | **(902)** | **1,656** |
| Income tax expense/(benefit) | 301 | 262 | 563 | (1) | 28 | 590 |
| **Net income/(loss)** | **179** | **766** | **945** | **1,051** | **(930)** | **1,066** |
| Net income/(loss) attributable to noncontrolling interests | 24 | (9) | 15 | 0 | 0 | 15 |
| **Net income/(loss) attributable to shareholders** | **155** | **775** | **930** | **1,051** | **(930)** | **1,051** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 2Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 179 | 766 | 945 | 1,051 | (930) | 1,066 |
| Gains/(losses) on cash flow hedges | 0 | 30 | 30 | 1 | 0 | 31 |
| Foreign currency translation | (770) | (283) | (1,053) | 2 | (2) | (1,053) |
| Unrealized gains/(losses) on securities | 0 | (12) | (12) | 0 | 0 | (12) |
| Actuarial gains/(losses) | 9 | 8 | 17 | 0 | 75 | 92 |
| Net prior service credit/(cost) | (3) | (1) | (4) | 0 | (18) | (22) |
| Other comprehensive income/(loss), net of tax | (764) | (258) | (1,022) | 3 | 55 | (964) |
| **Comprehensive income/(loss)** | **(585)** | **508** | **(77)** | **1,054** | **(875)** | **102** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (13) | (27) | (40) | 0 | 25 | (15) |
| **Comprehensive income/(loss) attributable to shareholders** | **(572)** | **535** | **(37)** | **1,054** | **(900)** | **117** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 6M16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 3,096 | 6,018 | 9,114 | 140 | 88 | 9,342 |
| Interest expense | (2,010) | (3,283) | (5,293) | (167) | 128 | (5,332) |
| Net interest income | 1,086 | 2,735 | 3,821 | (27) | 216 | 4,010 |
| Commissions and fees | 1,675 | 3,657 | 5,332 | 13 | 126 | 5,471 |
| Trading revenues | (933) | 624 | (309) | 72 | 60 | (177) |
| Other revenues | 427 | 58 | 485 | (208) [2] | 165 | 442 |
| **Net revenues** | **2,255** | **7,074** | **9,329** | **(150)** | **567** | **9,746** |
| **Provision for credit losses** | **(7)** | **114** | **107** | **0** | **15** | **122** |
| Compensation and benefits | 1,594 | 3,659 | 5,253 | 18 | (55) | 5,216 |
| General and administrative expenses | 948 | 2,673 | 3,621 | (38) | 25 | 3,608 |
| Commission expenses | 121 | 612 | 733 | 1 | 5 | 739 |
| Restructuring expenses | 142 | 176 | 318 | 0 | 28 | 346 |
| Total other operating expenses | 1,211 | 3,461 | 4,672 | (37) | 58 | 4,693 |
| **Total operating expenses** | **2,805** | **7,120** | **9,925** | **(19)** | **3** | **9,909** |
| **Income/(loss) from continuing operations before taxes** | **(543)** | **(160)** | **(703)** | **(131)** | **549** | **(285)** |
| Income tax expense/(benefit) | (246) | (47) | (293) | 1 | 134 | (158) |
| **Net income/(loss)** | **(297)** | **(113)** | **(410)** | **(132)** | **415** | **(127)** |
| Net income/(loss) attributable to noncontrolling interests | 72 | (70) | 2 | 0 | 3 | 5 |
| **Net income/(loss) attributable to shareholders** | **(369)** | **(43)** | **(412)** | **(132)** | **412** | **(132)** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 6M16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | (297) | (113) | (410) | (132) | 415 | (127) |
| Gains/(losses) on cash flow hedges | 0 | 68 | 68 | (2) | 0 | 66 |
| Foreign currency translation | (312) | (192) | (504) | 6 | (12) | (510) |
| Unrealized gains/(losses) on securities | 0 | 5 | 5 | 0 | 2 | 7 |
| Actuarial gains/(losses) | 13 | 7 | 20 | 0 | 167 | 187 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (53) | (53) |
| Gains/(losses) on liabilities relating to credit risk | 55 | 987 | 1,042 | 78 | 77 | 1,197 |
| Other comprehensive income/(loss), net of tax | (244) | 875 | 631 | 82 | 181 | 894 |
| **Comprehensive income/(loss)** | **(541)** | **762** | **221** | **(50)** | **596** | **767** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 64 | (76) | (12) | 0 | 13 | 1 |
| **Comprehensive income/(loss) attributable to shareholders** | **(605)** | **838** | **233** | **(50)** | **583** | **766** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 6M15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 3,453 | 6,693 | 10,146 | 136 | 111 | 10,393 |
| Interest expense | (2,097) | (3,230) | (5,327) | (161) | 116 | (5,372) |
| Net interest income | 1,356 | 3,463 | 4,819 | (25) | 227 | 5,021 |
| Commissions and fees | 2,032 | 4,100 | 6,132 | 7 | 99 | 6,238 |
| Trading revenues | 54 | 1,844 | 1,898 | (3) | (7) | 1,888 |
| Other revenues | 297 | 199 | 496 | 2,105 [2] | (2,146) | 455 |
| **Net revenues** | **3,739** | **9,606** | **13,345** | **2,084** | **(1,827)** | **13,602** |
| **Provision for credit losses** | **5** | **53** | **58** | **0** | **23** | **81** |
| Compensation and benefits | 1,928 | 3,937 | 5,865 | 45 | (20) | 5,890 |
| General and administrative expenses | 920 | 2,780 | 3,700 | (67) | 33 | 3,666 |
| Commission expenses | 130 | 663 | 793 | 1 | 4 | 798 |
| Total other operating expenses | 1,050 | 3,443 | 4,493 | (66) | 37 | 4,464 |
| **Total operating expenses** | **2,978** | **7,380** | **10,358** | **(21)** | **17** | **10,354** |
| **Income/(loss) from continuing operations before taxes** | **756** | **2,173** | **2,929** | **2,105** | **(1,867)** | **3,167** |
| Income tax expense | 397 | 615 | 1,012 | 0 | 55 | 1,067 |
| **Net income/(loss)** | **359** | **1,558** | **1,917** | **2,105** | **(1,922)** | **2,100** |
| Net income/(loss) attributable to noncontrolling interests | 32 | (33) | (1) | 0 | (4) | (5) |
| **Net income/(loss) attributable to shareholders** | **327** | **1,591** | **1,918** | **2,105** | **(1,918)** | **2,105** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 6M15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 359 | 1,558 | 1,917 | 2,105 | (1,922) | 2,100 |
| Gains/(losses) on cash flow hedges | 0 | 52 | 52 | (13) | 0 | 39 |
| Foreign currency translation | (1,140) | (1,402) | (2,542) | (1) | (3) | (2,546) |
| Unrealized gains/(losses) on securities | 0 | (5) | (5) | 0 | 3 | (2) |
| Actuarial gains/(losses) | 18 | 16 | 34 | 0 | 147 | 181 |
| Net prior service credit/(cost) | (7) | 0 | (7) | 0 | (36) | (43) |
| Other comprehensive income/(loss), net of tax | (1,129) | (1,339) | (2,468) | (14) | 111 | (2,371) |
| **Comprehensive income/(loss)** | **(770)** | **219** | **(551)** | **2,091** | **(1,811)** | **(271)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (27) | (67) | (94) | 0 | 35 | (59) |
| **Comprehensive income/(loss) attributable to shareholders** | **(743)** | **286** | **(457)** | **2,091** | **(1,846)** | **(212)** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 2Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 2,658 | 109,342 | 112,000 | 799 | 1,250 | 114,049 |
| Interest-bearing deposits with banks | 3,388 | 965 | 4,353 | 5 | (3,538) | 820 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 86,062 | 36,374 | 122,436 | 0 | (368) | 122,068 |
| Securities received as collateral | 24,131 | 1,862 | 25,993 | 0 | 0 | 25,993 |
| Trading assets | 50,675 | 127,058 | 177,733 | 0 | (114) | 177,619 |
| Investment securities | 544 | 1,692 | 2,236 | 3,809 | (3,434) | 2,611 |
| Other investments | 1,288 | 4,597 | 5,885 | 47,606 | (47,342) | 6,149 |
| Net loans | 13,382 | 243,131 | 256,513 | 124 | 17,198 | 273,835 |
| Premises and equipment | 916 | 3,580 | 4,496 | 0 | 197 | 4,693 |
| Goodwill | 720 | 3,152 | 3,872 | 0 | 873 | 4,745 |
| Other intangible assets | 151 | 40 | 191 | 0 | 0 | 191 |
| Brokerage receivables | 20,021 | 22,085 | 42,106 | 0 | 2 | 42,108 |
| Other assets | 14,073 | 32,116 | 46,189 | 280 | (186) | 46,283 |
| **Total assets** | **218,009** | **585,994** | **804,003** | **52,623** | **(35,462)** | **821,164** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 141 | 23,555 | 23,696 | 2,496 | (2,963) | 23,229 |
| Customer deposits | 0 | 336,063 | 336,063 | 0 | 11,496 | 347,559 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 55,271 | (22,772) | 32,499 | 0 | 0 | 32,499 |
| Obligation to return securities received as collateral | 24,131 | 1,862 | 25,993 | 0 | 0 | 25,993 |
| Trading liabilities | 11,289 | 40,403 | 51,692 | 0 | (10) | 51,682 |
| Short-term borrowings | 42,265 | (31,087) | 11,178 | 300 | (300) | 11,178 |
| Long-term debt | 22,860 | 171,743 | 194,603 | 4,676 | 947 | 200,226 |
| Brokerage payables | 31,105 | 12,839 | 43,944 | 0 | 0 | 43,944 |
| Other liabilities | 12,507 | 26,829 | 39,336 | 189 | 0 | 39,525 |
| **Total liabilities** | **199,569** | **559,435** | **759,004** | **7,661** | **9,170** | **775,835** |
| **Total shareholders' equity** | **18,532** | **25,465** | **43,997** | **44,962** | **(43,997)** | **44,962** |
| Noncontrolling interests | (92) | 1,094 | 1,002 | 0 | (635) | 367 |
| **Total equity** | **18,440** | **26,559** | **44,999** | **44,962** | **(44,632)** | **45,329** |
| **Total liabilities and equity** | **218,009** | **585,994** | **804,003** | **52,623** | **(35,462)** | **821,164** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets (continued)

| end of 4Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 5,799 | 84,722 | 90,521 | 942 | 865 | 92,328 |
| Interest-bearing deposits with banks | 70 | 4,883 | 4,953 | 5 | (4,091) | 867 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 105,469 | 17,967 | 123,436 | 0 | (387) | 123,049 |
| Securities received as collateral | 27,274 | 1,237 | 28,511 | 0 | 0 | 28,511 |
| Trading assets | 59,332 | 131,764 | 191,096 | 0 | (359) | 190,737 |
| Investment securities | 1,009 | 1,689 | 2,698 | 4,092 | (3,700) | 3,090 |
| Other investments | 3,080 | 3,707 | 6,787 | 46,795 | (46,561) | 7,021 |
| Net loans | 15,433 | 239,482 | 254,915 | 139 | 17,941 | 272,995 |
| Premises and equipment | 899 | 3,540 | 4,439 | 0 | 205 | 4,644 |
| Goodwill | 731 | 3,198 | 3,929 | 0 | 879 | 4,808 |
| Other intangible assets | 152 | 44 | 196 | 0 | 0 | 196 |
| Brokerage receivables | 17,630 | 16,910 | 34,540 | 0 | 2 | 34,542 |
| Other assets | 26,842 | 31,068 | 57,910 | 228 | (121) | 58,017 |
| **Total assets** | **263,720** | **540,211** | **803,931** | **52,201** | **(35,327)** | **820,805** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 62 | 21,398 | 21,460 | 2,152 | (2,558) | 21,054 |
| Customer deposits | 1 | 331,699 | 331,700 | 0 | 11,005 | 342,705 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 77,028 | (30,430) | 46,598 | 0 | 0 | 46,598 |
| Obligation to return securities received as collateral | 27,274 | 1,237 | 28,511 | 0 | 0 | 28,511 |
| Trading liabilities | 11,097 | 37,957 | 49,054 | 0 | (83) | 48,971 |
| Short-term borrowings | 45,480 | (36,823) | 8,657 | 300 | (300) | 8,657 |
| Long-term debt | 39,127 | 152,967 | 192,094 | 5,025 | 489 | 197,608 |
| Brokerage payables | 28,399 | 11,053 | 39,452 | 0 | 0 | 39,452 |
| Other liabilities | 15,615 | 26,100 | 41,715 | 342 | 174 | 42,231 |
| **Total liabilities** | **244,083** | **515,158** | **759,241** | **7,819** | **8,727** | **775,787** |
| **Total shareholders' equity** | **19,396** | **24,010** | **43,406** | **44,382** | **(43,406)** | **44,382** |
| Noncontrolling interests | 241 | 1,043 | 1,284 | 0 | (648) | 636 |
| **Total equity** | **19,637** | **25,053** | **44,690** | **44,382** | **(44,054)** | **45,018** |
| **Total liabilities and equity** | **263,720** | **540,211** | **803,931** | **52,201** | **(35,327)** | **820,805** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of cash flows

| in 6M16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **6,911** | **2,896** | **9,807** | **(35)** [2] | **62** | **9,834** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (3,345) | 3,954 | 609 | 0 | (553) | 56 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 11,075 | (10,271) | 804 | 0 | (18) | 786 |
| Purchase of investment securities | 0 | (60) | (60) | 0 | 0 | (60) |
| Proceeds from sale of investment securities | 0 | 9 | 9 | 0 | 0 | 9 |
| Maturities of investment securities | 138 | 53 | 191 | 0 | 22 | 213 |
| Investments in subsidiaries and other investments | (152) | (210) | (362) | (710) | 694 | (378) |
| Proceeds from sale of other investments | 1,456 | (873) | 583 | 0 | 8 | 591 |
| (Increase)/decrease in loans | 1,839 | (4,665) | (2,826) | 15 | 728 | (2,083) |
| Proceeds from sales of loans | 0 | 415 | 415 | 0 | 0 | 415 |
| Capital expenditures for premises and equipment and other intangible assets | (158) | (422) | (580) | 0 | (2) | (582) |
| Proceeds from sale of premises and equipment and other intangible assets | 49 | 4 | 53 | 0 | 0 | 53 |
| Other, net | 7 | 44 | 51 | 2 | (2) | 51 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **10,909** | **(12,022)** | **(1,113)** | **(693)** | **877** | **(929)** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | 80 | 8,268 | 8,348 | 344 | 80 | 8,772 |
| Increase/(decrease) in short-term borrowings | 2,495 | 554 | 3,049 | 0 | 0 | 3,049 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (20,758) | 7,136 | (13,622) | 0 | 0 | (13,622) |
| Issuances of long-term debt | 0 | 35,441 | 35,441 | 0 | 236 | 35,677 |
| Repayments of long-term debt | (2,394) | (18,118) | (20,512) | 0 | (206) | (20,718) |
| Issuances of common shares | 0 | 0 | 0 | 725 | 0 | 725 |
| Sale of treasury shares | 0 | 0 | 0 | 323 | 8,835 | 9,158 |
| Repurchase of treasury shares | 0 | 0 | 0 | (455) | (8,846) | (9,301) |
| Dividends paid | 0 | (10) | (10) | (493) | 10 | (493) |
| Other, net | (319) | 869 | 550 | 153 | (662) | 41 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(20,896)** | **34,140** | **13,244** | **597** | **(553)** | **13,288** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(65)** | **(394)** | **(459)** | **(12)** | **(1)** | **(472)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **(3,141)** | **24,620** | **21,479** | **(143)** | **385** | **21,721** |
| Cash and due from banks at beginning of period | 5,799 | 84,722 | 90,521 | 942 | 865 | 92,328 |
| **Cash and due from banks at end of period** | **2,658** | **109,342** | **112,000** | **799** | **1,250** | **114,049** |

[1] Includes eliminations and consolidation adjustments.

[2] Consists of dividend payments from Group companies of CHF 145 million and CHF 41 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

## Condensed consolidating statements of cash flows (continued)

| in 6M15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **4,489** | **(1,415)** | **3,074** | **(80)** [2] | **(215)** | **2,779** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | – | (91) | (91) | (5) | 401 | 305 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 14,240 | 1,417 | 15,657 | 0 | 397 | 16,054 |
| Purchase of investment securities | 0 | (272) | (272) | 0 | 0 | (272) |
| Proceeds from sale of investment securities | 0 | 14 | 14 | 0 | 0 | 14 |
| Maturities of investment securities | 10 | 322 | 332 | 0 | 10 | 342 |
| Investments in subsidiaries and other investments | (245) | (63) | (308) | 0 | (27) | (335) |
| Proceeds from sale of other investments | 792 | 128 | 920 | 0 | 31 | 951 |
| (Increase)/decrease in loans | 1,886 | (5,085) | (3,199) | 210 | (688) | (3,677) |
| Proceeds from sales of loans | 0 | 1,018 | 1,018 | 0 | 0 | 1,018 |
| Capital expenditures for premises and equipment and other intangible assets | (120) | (348) | (468) | 0 | (6) | (474) |
| Proceeds from sale of premises and equipment and other intangible assets | 2 | 9 | 11 | 0 | 0 | 11 |
| Other, net | 13 | 179 | 192 | 6 | (3) | 195 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **16,578** | **(2,772)** | **13,806** | **211** | **115** | **14,132** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | 44 | 983 | 1,027 | (161) | 199 | 1,065 |
| Increase/(decrease) in short-term borrowings | 3,865 | (2,755) | 1,110 | 0 | 0 | 1,110 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (15,728) | 7,855 | (7,873) | 0 | 0 | (7,873) |
| Issuances of long-term debt | 2,199 | 44,756 | 46,955 | 0 | 548 | 47,503 |
| Repayments of long-term debt | (8,682) | (20,638) | (29,320) | (30) | (215) | (29,565) |
| Issuances of common shares | 0 | 0 | 0 | 1 | 0 | 1 |
| Sale of treasury shares | 0 | 0 | 0 | 3 | 7,432 | 7,435 |
| Repurchase of treasury shares | 0 | 0 | 0 | (1,004) | (7,381) | (8,385) |
| Dividends paid | 0 | (10) | (10) | (415) | (2) | (427) |
| Other, net | (588) | (420) | (1,008) | 1,217 | 175 | 384 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(18,890)** | **29,771** | **10,881** | **(389)** | **756** | **11,248** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(302)** | **(3,101)** | **(3,403)** | **(48)** | **(3)** | **(3,454)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **1,875** | **22,483** | **24,358** | **(306)** | **653** | **24,705** |
| Cash and due from banks at beginning of period | 4,950 | 73,050 | 78,000 | 917 | 432 | 79,349 |
| **Cash and due from banks at end of period** | **6,825** | **95,533** | **102,358** | **611** | **1,085** | **104,054** |

[1] Includes eliminations and consolidation adjustments.

[2] Consists of dividend payments from Group companies of CHF 220 million and CHF 31 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

# List of abbreviations

| | |
|---|---|
| **A** | |
| ABS | Asset-backed securities |
| ADS | American Depositary Share |
| AMF | Asset Management Finance LLC |
| AOCI | Accumulated other comprehensive income/(loss) |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Update |
| **B** | |
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| bp | Basis point |
| **C** | |
| CCA | Contingent Capital Awards |
| CCP | Central Counterparty |
| CDO | Collateralized debt obligation |
| CDS | Credit default swaps |
| CET1 | Common equity tier 1 |
| CFE | Collateralized financing entity |
| CFTC | Commodity Futures Trading Commission |
| CMBS | Commercial mortgage-backed securities |
| COO | Chief Operating Officer |
| CP | Commercial paper |
| CPR | Constant prepayment rate |
| CSS LLC | Credit Suisse Securities (USA) LLC |
| CVA | Credit valuation adjustment |
| **E** | |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| ECB | European Central Bank |
| EMEA | Europe, Middle East and Africa |
| EMIR | European Market Infrastructure Regulation |
| ESMA | European Securities and Markets Authority |
| EU | European Union |
| **F** | |
| FASB | Financial Accounting Standards Board |
| Fed | US Federal Reserve |
| FINMA | Swiss Financial Market Supervisory Authority FINMA |
| FSB | Financial Stability Board |
| **G** | |
| G-SIB | Global Systemically Important Bank |
| **H** | |
| HNWI | High-net-worth individual |
| **I** | |
| IPO | Initial public offering |
| ISDA | International Swaps and Derivatives Association |
| **L** | |
| LCR | Liquidity coverage ratio |
| **M** | |
| MiFID II | Revised Markets in Financial Instruments Directive |
| M&A | Mergers and acquisitions |
| **N** | |
| NAV | Net asset value |
| NRV | Negative replacement value |
| NSFR | Net stable funding ratio |
| **O** | |
| OTC | Over-the-counter |
| **P** | |
| PRV | Positive replacement value |
| PSA | Prepayment speed assumption |
| **Q** | |
| QoQ | Quarter on quarter |
| **R** | |
| RMBS | Residential mortgage-backed securities |
| RWA | Risk-weighted assets |
| **S** | |
| SBS | Security-based swap |
| SCNY | Supreme Court for the State of New York, New York County |
| SDNY | US District Court for the Southern District of New York |
| SEC | US Securities and Exchange Commission |
| SEI | Significant economic interest |
| SNB | Swiss National Bank |
| SPE | Special purpose entity |
| SPIA | Single premium immediate annuity |
| **T** | |
| TRS | Total return swap |
| **U** | |
| UK | United Kingdom |
| UHNWI | Ultra-high-net-worth individual |
| US | United States of America |
| US GAAP | US generally accepted accounting principles |
| **V** | |
| VaR | Value-at-risk |
| VDAX | Deutsche Börse AG DAX Volatility Index |
| VIE | Variable interest entity |
| VIX | Chicago Board Options Exchange Market Volatility Index |
| **Y** | |
| YoY | Year on year |
| Ytd | Year to date |

# Investor information

## Share data

| in / end of | 6M16 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| **Share price (common shares, CHF)** | | | | |
| Average | 14.54 | 23.85 | 26.52 | 26.74 |
| Minimum | 10.20 | 18.22 | 23.77 | 22.90 |
| Maximum | 21.31 | 27.89 | 30.08 | 30.29 |
| End of period | 10.31 | 21.69 | 25.08 | 27.27 |
| **Share price (American Depositary Shares, USD)** | | | | |
| Average | 14.73 | 25.43 | 28.98 | 28.85 |
| Minimum | 10.50 | 20.48 | 24.84 | 24.56 |
| Maximum | 21.36 | 29.69 | 33.19 | 33.84 |
| End of period | 10.70 | 21.69 | 25.08 | 30.84 |
| **Market capitalization** | | | | |
| Market capitalization (CHF million) | 21,547 | 42,456 | 40,308 | 43,526 |
| Market capitalization (USD million) | 22,362 | 42,456 | 40,308 | 49,224 |
| **Dividend per share (CHF)** | | | | |
| Dividend per share | – | 0.70 [1] | 0.70 [1] | 0.70 [1] |

[1] Paid out of capital contribution reserves.

## Ticker symbols / stock exchange listings

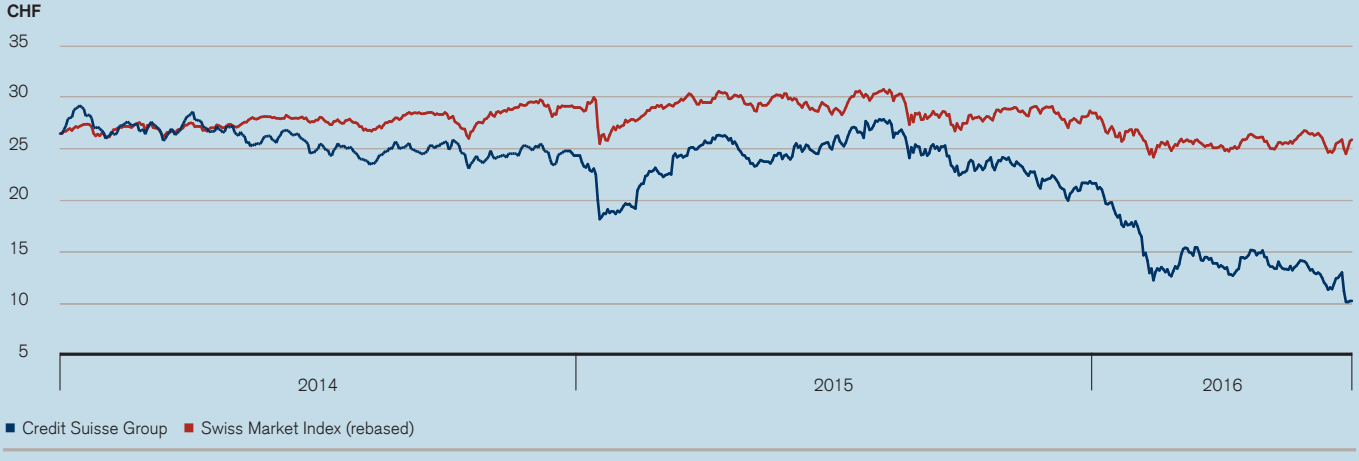
| | Common shares | ADS [1] |
|---|---|---|
| **Ticker symbols** | | |
| SIX Financial Information | CSGN | – |
| Bloomberg | CSGN VX | CS US |
| Reuters | CSGN.VX | CS.N |
| **Stock exchange listings** | | |
| Swiss security number | 1213853 | 570660 |
| ISIN number | CH0012138530 | US2254011081 |
| CUSIP number | – | 225 401 108 |

[1] One American Depositary Share (ADS) represents one common share.

## Bond ratings

| as of July 27, 2016 | Moody's | Standard & Poor's | Fitch Ratings |
|---|---|---|---|
| **Credit Suisse Group ratings** | | | |
| Short-term | – | – | F2 |
| Long-term | Baa3 | BBB+ | A- |
| Outlook | Stable | Stable | Stable |
| **Credit Suisse (the Bank) ratings** | | | |
| Short-term | P-1 | A-1 | F1 |
| Long-term | A2 | A | A |
| Outlook | Stable | Stable | Stable |

## Share performance



# Financial calendar and contacts

| Financial calendar | |
|---|---|
| Third quarter results 2016 | Thursday, November 3, 2016 |

| Investor relations | |
|---|---|
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| Internet | www.credit-suisse.com/news |

| Additional information | |
|---|---|
| Results and financial information | www.credit-suisse.com/results |
| Printed copies | Credit Suisse AG |
| | GCPD 1 |
| | 8070 Zurich |
| | Switzerland |

| US share register and transfer agent | |
|---|---|
| | Deutsche Bank |
| ADS depositary bank | Trust Company Americas |
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| E-mail | share.register@credit-suisse.com |

## Foreign currency translation rates

| | End of | | | | Average in | | | | Average in |
|---|---|---|---|---|---|---|---|---|---|
| | **2Q16** | 1Q16 | 4Q15 | 2Q15 | **2Q16** | 1Q16 | 2Q15 | **6M16** | 6M15 |
| 1 USD / CHF | 0.97 | 0.96 | 0.99 | 0.93 | 0.97 | 1.00 | 0.94 | 0.99 | 0.95 |
| 1 EUR / CHF | 1.08 | 1.09 | 1.08 | 1.04 | 1.10 | 1.09 | 1.04 | 1.09 | 1.06 |
| 1 GBP / CHF | 1.30 | 1.38 | 1.47 | 1.47 | 1.40 | 1.42 | 1.45 | 1.41 | 1.45 |
| 100 JPY / CHF | 0.95 | 0.85 | 0.82 | 0.76 | 0.90 | 0.86 | 0.78 | 0.88 | 0.79 |

**Cautionary statement regarding forward-looking information**

This report contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in "Risk factors" in I – Information on the company in our Annual Report 2015.

## CREDIT SUISSE ANNUAL REPORTING SUITE




Our 2015 annual publication suite consisting of Annual Report and Corporate Responsibility Report, which also contains the Company Profile, is available on our website www.credit-suisse.com/investors.

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5520134 English / 229006E

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

# Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

May 10, 2016

Commission File Number 001-33434

# CREDIT SUISSE AG
(Translation of registrant's name into English)

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

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

# Explanatory note

This report filed on Form 6-K contains certain information about Credit Suisse AG (Bank) relating to its results as of and for the three months ended March 31, 2016. On May 10, 2016, the Credit Suisse Financial Report 1Q16 was published. A copy of the Financial Report is attached as an exhibit to this report on Form 6-K. This report on Form 6-K (including the exhibit hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and (ii) shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended, except, in the case of both (i) and (ii), the sections of the attached Financial Report entitled "Dear shareholders", "Investor information" and "Financial calendar and contacts".

Credit Suisse AG is a Swiss bank and joint stock corporation established under Swiss law, and is a wholly-owned subsidiary of the Group. The Bank's registered head office is in Zurich, and it has additional executive offices and principal branches in London, New York, Hong Kong, Singapore and Tokyo.

References herein to "CHF" are to Swiss francs.

# Key information

## Selected financial data

### Condensed consolidated statements of operations

| in | 1Q16 | 1Q15 | % change |
|---|---|---|---|
| **Condensed consolidated statements of operations (CHF million)** | | | |
| Interest and dividend income | 4,471 | 4,363 | 2 |
| Interest expense | (2,554) | (2,312) | 10 |
| Net interest income | 1,917 | 2,051 | (7) |
| Commissions and fees | 2,604 | 2,925 | (11) |
| Trading revenues | (406) | 1,406 | – |
| Other revenues | 251 | 157 | 60 |
| **Net revenues** | **4,366** | **6,539** | (33) |
| **Provision for credit losses** | **141** | **20** | – |
| Compensation and benefits | 2,503 | 2,955 | (15) |
| General and administrative expenses | 1,864 | 1,754 | 6 |
| Commission expenses | 383 | 389 | (2) |
| Restructuring expenses | 233 | – | – |
| Total other operating expenses | 2,480 | 2,143 | 16 |
| **Total operating expenses** | **4,983** | **5,098** | (2) |
| **Income/(loss) from continuing operations before taxes** | **(758)** | **1,421** | – |
| Income tax expense/(benefit) | (301) | 449 | – |
| **Net income/(loss)** | **(457)** | **972** | – |
| Net income/(loss) attributable to noncontrolling interests | (7) | (16) | (56) |
| **Net income/(loss) attributable to shareholders** | **(450)** | **988** | – |

## Condensed consolidated balance sheets

| end of | 1Q16 | 4Q15 | % change |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | 92,243 | 90,521 | 2 |
| Interest-bearing deposits with banks | 4,684 | 4,953 | (5) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 136,578 | 123,436 | 11 |
| Securities received as collateral | 25,760 | 28,511 | (10) |
| Trading assets | 187,746 | 191,096 | (2) |
| Investment securities | 2,769 | 2,698 | 3 |
| Other investments | 6,048 | 6,787 | (11) |
| Net loans | 252,330 | 254,915 | (1) |
| Premises and equipment | 4,408 | 4,439 | (1) |
| Goodwill | 3,821 | 3,929 | (3) |
| Other intangible assets | 186 | 196 | (5) |
| Brokerage receivables | 35,502 | 34,540 | 3 |
| Other assets | 44,586 | 57,910 | (23) |
| **Total assets** | **796,661** | **803,931** | (1) |
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 24,421 | 21,460 | 14 |
| Customer deposits | 333,168 | 331,700 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 40,150 | 46,598 | (14) |
| Obligation to return securities received as collateral | 25,760 | 28,511 | (10) |
| Trading liabilities | 53,703 | 49,054 | 9 |
| Short-term borrowings | 14,768 | 8,657 | 71 |
| Long-term debt | 177,998 | 192,094 | (7) |
| Brokerage payables | 41,880 | 39,452 | 6 |
| Other liabilities | 39,950 | 41,715 | (4) |
| **Total liabilities** | **751,798** | **759,241** | (1) |
| **Total shareholder's equity** | **43,789** | **43,406** | 1 |
| Noncontrolling interests | 1,074 | 1,284 | (16) |
| **Total equity** | **44,863** | **44,690** | |
| **Total liabilities and equity** | **796,661** | **803,931** | (1) |

## BIS statistics (Basel III)

| end of | 1Q16 | 4Q15 | % change |
|---|---|---|---|
| **Eligible capital (CHF million)** | | | |
| Common equity tier 1 (CET1) capital | 37,202 | 40,013 | (7) |
| Tier 1 capital | 47,236 | 50,570 | (7) |
| Total eligible capital | 56,233 | 60,242 | (7) |
| **Capital ratios (%)** | | | |
| CET1 ratio | 13.4 | 13.9 | – |
| Tier 1 ratio | 17.1 | 17.6 | – |
| Total capital ratio | 20.3 | 21.0 | – |

# Operating and financial review and prospects

Except where noted, the business of the Bank is substantially the same as the business of the Group, and substantially all of the Bank's operations are conducted through the Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit segments. These segment results are included in Core Results, except for the Strategic Resolution Unit, which is part of the Credit Suisse Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the six segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Swiss Universal Bank. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

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

## Differences between the Group and the Bank businesses

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

## Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **1Q16** | 1Q15 | **1Q16** | 1Q15 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 4,366 | 6,539 | 4,638 | 6,647 |
| Total operating expenses | 4,983 | 5,098 | 4,972 | 5,106 |
| Income/(loss) from continuing operations before taxes | (758) | 1,421 | (484) | 1,511 |
| Income/(loss) from continuing operations | (457) | 972 | (305) | 1,034 |
| Net income/(loss) attributable to shareholders | (450) | 988 | (302) | 1,054 |
| of which from continuing operations | (450) | 988 | (302) | 1,054 |

## Comparison of selected balance sheet information

| | Bank | | Group | |
|---|---|---|---|---|
| end of | **1Q16** | 4Q15 | **1Q16** | 4Q15 |
| **Balance sheet statistics (CHF million)** | | | | |
| Total assets | 796,661 | 803,931 | 813,898 | 820,805 |
| Total liabilities | 751,798 | 759,241 | 768,451 | 775,787 |

# Exhibits

**No. Description**

99.1 Credit Suisse Financial Report 1Q16

# Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CREDIT SUISSE AG**
(Registrant)

Date: May 10, 2016

By:
/s/ Tidjane Thiam
Tidjane Thiam
Chief Executive Officer

By:
/s/ David R. Mathers
David R. Mathers
Chief Financial Officer

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CREDIT SUISSE

# Financial Report

1Q16

## Key metrics

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | |
| Net income/(loss) attributable to shareholders | (302) | (5,828) | 1,054 | (95) | – |
| Basic earnings/(loss) per share (CHF) | (0.15) | (3.28) | 0.62 | (95) | – |
| Diluted earnings/(loss) per share (CHF) | (0.15) | (3.28) | 0.60 | (95) | – |
| Return on equity attributable to shareholders (%) | (2.6) | (51.3) | 9.9 | – | – |
| Effective tax rate (%) | 37.0 | 9.7 | 31.6 | – | – |
| **Core Results (CHF million, except where indicated)** | | | | | |
| Net revenues | 4,750 | 4,189 | 6,471 | 13 | (27) |
| Provision for credit losses | 104 | 40 | 25 | 160 | 316 |
| Total operating expenses | 4,406 | 9,468 | 4,552 | (53) | (3) |
| Income/(loss) before taxes | 240 | (5,319) | 1,894 | – | (87) |
| Cost/income ratio (%) | 92.8 | 226.0 | 70.3 | – | – |
| **Assets under management and net new assets (CHF billion)** | | | | | |
| Assets under management | 1,180.8 | 1,214.1 | 1,365.9 | (2.7) | (13.6) |
| Net new assets | 10.5 | 2.1 | 14.9 | 400.0 | (29.5) |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 813,898 | 820,805 | 904,390 | (1) | (10) |
| Net loans | 270,248 | 272,995 | 270,774 | (1) | 0 |
| Total shareholders' equity | 44,997 | 44,382 | 43,396 | 1 | 4 |
| Tangible shareholders' equity | 40,123 | 39,378 | 34,672 | 2 | 16 |
| **Basel III regulatory capital and leverage statistics** | | | | | |
| Risk-weighted assets (CHF million) | 283,937 | 294,950 | 288,514 | (4) | (2) |
| CET1 ratio (%) | 13.6 | 14.3 | 13.8 | – | – |
| Look-through CET1 ratio (%) | 11.4 | 11.4 | 10.0 | – | – |
| Look-through CET1 leverage ratio (%) | 3.3 | 3.3 | 2.6 | – | – |
| Look-through Tier 1 leverage ratio (%) | 4.4 | 4.5 | 3.6 | – | – |
| **Share information** | | | | | |
| Shares outstanding (million) | 1,946.4 | 1,951.5 | 1,563.5 | 0 | 24 |
| of which common shares issued | 1,957.4 | 1,957.4 | 1,607.2 | 0 | 22 |
| of which treasury shares | (11.0) | (5.9) | (43.7) | 86 | (75) |
| Book value per share (CHF) | 23.12 | 22.74 | 27.76 | 2 | (17) |
| Tangible book value per share (CHF) | 20.61 | 20.18 | 22.18 | 2 | (7) |
| Market capitalization (CHF million) | 26,640 | 42,456 | 42,076 | (37) | (37) |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 47,760 | 48,210 | 46,410 | (1) | 3 |

See relevant tables for additional information on these metrics.

# Financial Report 1Q16


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For purposes of this report, unless the context otherwise requires, the terms "Credit Suisse," "the Group," "we," "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the Swiss bank subsidiary of the Group, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar. We use the term "the Bank" when we are only referring to Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

Abbreviations are explained in the List of abbreviations in the back of this report.

Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report.

In various tables, use of "–" indicates not meaningful or not applicable.

# MESSAGE FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



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

**Dear shareholders**

In the first three months of 2016, we continued to focus on execution with three clear priorities: delivering profitable growth in our wealth management focused divisions, accelerating our cost reduction efforts and maintaining our strong capital position.

### Financial performance

In 1Q16, Credit Suisse reported a net loss attributable to shareholders of CHF 302 million and a pre-tax loss of CHF 484 million. On an adjusted* basis, a pre-tax loss of CHF 173 million was recorded, mainly reflecting a decrease in net revenues in Global Markets (GM) due to the difficult market environment as well as mark-to-market losses due to adverse market movements and, to a lesser extent, to the de-risking of our portfolio. The performance of our Investment Banking & Capital Markets (IBCM) division was also affected by adverse operating conditions. Meanwhile, the Strategic Resolution Unit (SRU) continued to prove efficient in winding down risk-weighted assets, leverage exposure, costs and businesses that no longer fit our strategic direction.

The overall results for the Group reflect challenges in the global economy that created unique pressures for the finance industry – January and February were very challenging months for international financial markets. However, these results also contain clear indications that our strategy is gaining traction in our chosen markets in Asia Pacific (APAC), International Wealth Management (IWM) and Switzerland. We are very encouraged by the strong underlying performance of our wealth management focused divisions. Compared to 4Q15, Swiss Universal Bank (Swiss UB), APAC and IWM divisions grew their adjusted* pre-tax income in 1Q16 by 39%, 70% and 21%, respectively. In addition, our wealth management focused divisions delivered approximately CHF 1 billion of adjusted* pre-tax income. In particular, we saw profitable growth and inflows of quality new assets into these divisions during the quarter, with net new assets of CHF 4.3 billion, CHF 6.9[1] billion and CHF 3.0 billion for APAC, IWM and the Swiss UB, respectively. The performance of our business based on our new strategy thus remains very positive overall.

### Continued progress in implementing our strategy

Credit Suisse has a clear ambition: to be a leading private bank and wealth manager with strong investment banking capabilities, both in developed and emerging economies. In that context, we have been recruiting relationship managers to help drive growth: at end-1Q16, we had a total of 630 relationship managers in APAC, an increase of 40 relationship managers during that quarter alone and an increase of 100 relationship managers compared to 1Q15. In IWM, we also initiated the hiring of 90 new relationship managers in 1Q16, of which 40 joined and 50 are committed to join in 2016, with two-thirds focused on clients in emerging markets. Our ability to recruit experienced and quality relationship managers underscores their confidence in our strategy and business model. These new hires are also attracted by the high degree of responsibility and accountability that we give to our employees, promoting a culture of integrity and compliance. Reflecting the growth of our wealth management focused divisions, we saw stronger activity with ultra-high-net-worth (UHNWI) clients, entrepreneurs and corporate clients in APAC and we further increased mandates penetration in IWM and the Swiss UB division.

In parallel to this focus on growth, a clear priority in the execution of our strategy is to lower Credit Suisse's cost base by 2018. We have already made substantial progress on the accelerated Group-wide cost reduction program we announced on March 23, 2016. We are on track to deliver our targeted gross cost savings by end-2016 and we are confident that we will reduce our operating cost base to CHF 19.8 billion by the end of this year and to below CHF 18.0 billion by end-2018. In 1Q16, we achieved – on an annualized basis – more than half of the CHF 1.4 billion of net cost savings we are targeting for 2016. This cost savings target includes a headcount reduction of 6,000 by end-2016. Clearly, this is a painful process for all employees concerned. However, we are convinced that the implementation of disciplined cost savings is a vital step to strengthen Credit Suisse's resilience and increase our ability to remain profitable through the economic cycle. The fact that we are, in parallel, recruiting in our targeted growth areas is evidence that we are continuing to invest in the long-term future of the bank.

Our investment banking operations are important for the success of our strategy in the long term. To be able to create value for our clients – UHNWIs, high-net-worth individuals and entrepreneurs with closely interconnected wealth management and investment banking needs – we require distinctive investment banking capabilities.

The downsizing and de-risking of our investment bank is an important component of our strategy. We aim to make our GM division less capital intensive and to produce more stable earnings with a more fee-based and client-driven model. We have therefore significantly de-risked our GM activities. GM will continue to provide a differentiated product offering and crucial support to our wealth management clients and our IBCM division. At the same time, it will focus on its top institutional clients by making targeted use of its capital to increase its share of wallet among our chosen clients. We expect that this strategy will ensure that the capital allocated to GM will be put to the best use and will be focused on servicing large, quality relationships where we enjoy a substantial share of wallet.

IBCM is a strong, capital-efficient franchise with businesses that are expected to deliver a high return on regulatory capital under normalized market conditions. In 1Q16, we continued to successfully pivot IBCM towards M&A and equity capital market activities while maintaining our position in leveraged finance. We also made further targeted investments in IBCM, including strategic new hires to expand our client coverage footprint.

### Capital position

When we presented the new strategy for Credit Suisse in October 2015, the Board of Directors and the Executive Board agreed that it was vital to significantly strengthen the bank's capital base in view of the planned restructuring of our businesses and difficult market conditions. Despite the losses we incurred in 1Q16, we maintained our strong capital position thanks to effective capital management and cost control. At end-1Q16, we reported a look-through CET1 capital ratio of 11.4%, unchanged from end-4Q15, which is the highest that we have ever achieved. The look-through CET1 capital ratio represents an important measure of a bank's capital position and fully applies all regulatory requirements as applicable as of 2019. For the remainder of 2016, we aim to maintain a look-through CET1 capital ratio of between 11-12%[2] to allow us to continue our restructuring while also investing additional capital in our Core businesses to fund further growth. The accelerated restructuring of the GM division and the cost savings we announced in March 2016 are expected to contribute significantly to making our capital position more resilient. Our look-through CET1 leverage ratio stood at 3.3% at end-1Q16.

### Outlook

During 1Q16, we made good progress in implementing our strategy. That said, we are operating in a very challenging market environment. From what we saw during the first weeks of 2Q16, these market conditions are likely to persist over the remainder of the quarter. We are also seeing structural changes in the regulatory assessment of specific asset classes that are impacting our businesses, particularly in the fixed income area. However, we continue to believe that wealth management, supported by our investment banking capabilities, provides a uniquely attractive long-term opportunity for our bank.

Going forward, we will focus on capturing attractive growth potential – particularly in the Asia Pacific region and in other emerging economies – while, at the same time, placing a strong emphasis on developed markets and on Switzerland. We will leverage our integrated service offerings to provide the best possible service and advice to entrepreneurs and UHNWI clients, who represent key client groups for our bank. As we continue through 2016, we are seeing encouraging signs that by executing our strategy with discipline, we can create compelling opportunities for the bank, our employees and our clients and shareholders in the longer term.

We would like to express our sincere thanks to all Credit Suisse employees around the globe for their continued hard work, dedication and support. We would also like to thank our clients and our shareholders for the trust they place in Credit Suisse.

Best regards



Urs Rohner
Chairman of the
Board of Directors

Tidjane Thiam
Chief Executive Officer

May 2016

* Adjusted results are non-GAAP financial measures. For a reconciliation of the adjusted results to the most directly comparable US GAAP measures, see the "Reconciliation of adjusted results" tables in I – Credit Suisse results.

[1] IWM net new assets represent net new assets for Private Banking and Asset Management together and not adjusted for assets managed across businesses.

[2] Making no provisions for significant litigation expenses.

**Important information**

When we refer to wealth management focused divisions throughout this document, we mean APAC, IWM and Swiss UB.

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

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

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

Return on regulatory capital is calculated using income after tax and assumes a tax rate of 30% and capital allocated based on the worst of return on 10% of average risk-weighted assets and return on 3.5% of average leverage exposure.

Cost reduction program based on 2015 cost base and measured on constant FX rates and based on the expense run rate excluding major litigation expenses, restructuring costs, goodwill impairment charges and certain non-recurring items for annualization but including other costs to achieve savings.

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

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

This document contains forward-looking statements that involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward-looking statements. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements, including those we identify in "Risk Factors" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2015 filed with the US Securities and Exchange Commission, and in other public filings and press releases. We do not intend to update these forward-looking statements except as may be required by applicable law.

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# Credit Suisse at a glance

## Credit Suisse

Our strategy builds on Credit Suisse's core strengths: its position as a leading global wealth manager, its specialist investment banking capabilities and its strong presence in our home market of Switzerland. We take a balanced approach to capture the wealth management opportunities in emerging markets, the largest of which is in the Asia Pacific region, while also serving key developed markets with an emphasis on Switzerland. Founded in 1856, we today have a global reach with operations in about 50 countries and 47,760 employees from over 150 different nations. Our broad footprint helps us to generate a geographically balanced stream of revenues and net new assets and allows us to capture growth opportunities around the world. We serve our clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specializing in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with our strategic direction. Our business divisions cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

## Swiss Universal Bank

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

## International Wealth Management

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

## Asia Pacific

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

## Global Markets

The Global Markets division offers a broad range of equities and fixed income products and services and focuses on client-driven businesses and on supporting Credit Suisse's private banking businesses and their clients. Our suite of products and services includes global securities sales, trading and execution services, prime brokerage, underwriting and comprehensive investment research. Our clients include financial institutions, corporations, governments, institutional investors – including pension funds and hedge funds – and private individuals around the world.

## Investment Banking & Capital Markets

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

## Strategic Resolution Unit

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

# Operating environment

Global economic activity was moderate during 1Q16, with subdued activity in developed economies and weaker activity in emerging markets. Major equity markets declined sharply in the first half of the quarter, but recovered in the second half. World bank stocks underperformed global equity markets and government bond yields declined. The US dollar weakened against most other major currencies except for the British pound.

## ECONOMIC ENVIRONMENT

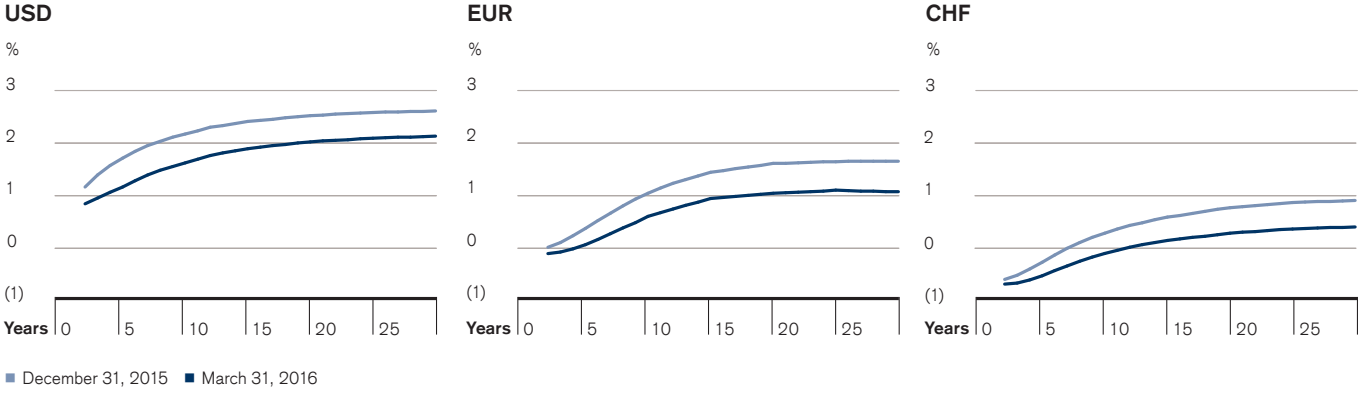
US economic growth was moderate in 1Q16, as indicated by retail sales, industrial production, capital goods shipments and trade data. Labor market conditions continued to be favorable, although there were no signs of rising wage pressure. US inflation, excluding energy and food prices, increased further. In the eurozone, business surveys and inflation metrics weakened compared to the previous quarter, although industrial production data was in line with modest gross domestic product growth. In emerging markets, economic activity weakened in Brazil, while it was mixed in China and Russia.

The US Federal Reserve (Fed) kept interest rates unchanged in 1Q16 and signaled a slower pace of increases during 2016 than previously indicated. The European Central Bank (ECB) announced further monetary easing measures at its March 2016 meeting, including cuts in all main interest rates, an increase in the asset purchase program and additional bank funding measures. The People's Bank of China eased monetary policy again by reducing bank reserve requirements. Central bank rates in major emerging markets, such as India, Brazil and Russia, remained unchanged.

In the first half of 1Q16, major equity markets declined sharply due to weaker than expected macroeconomic data in developed economies, economic growth concerns in China and low oil prices. Since the middle of February 2016, equity markets recovered supported by a gradual improvement in economic data expectations, particularly in the US and the eurozone, a recovery in commodity markets and low interest rates from major central banks (refer to the charts "Equity markets"). Among developed markets, Canadian and US equities outperformed during 1Q16. Japanese, Swiss and eurozone equities underperformed, driven by currency appreciation. Emerging market equities, particularly in Latin America, benefitted from the US dollar weakness and a commodities rally in the second half of the quarter. Equity market volatility, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), increased sharply during the first half of the quarter, but decreased gradually towards the second half. Risk appetite, as measured by the Credit Suisse Equity Risk Appetite Index, was low, but gradually increased during the quarter. The Credit Suisse Hedge Fund Index decreased 2.2% in 1Q16.

### Yield curves

Yield curves generally decreased in 1Q16, led by the long end of the maturity curve.

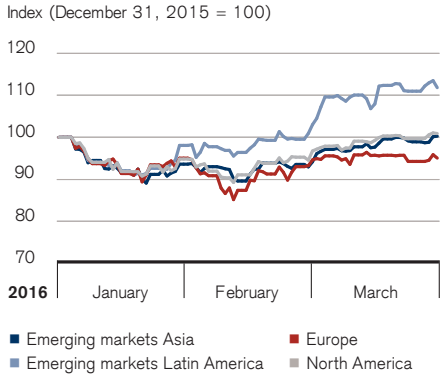



**Source:** Datastream, Credit Suisse

## Equity markets

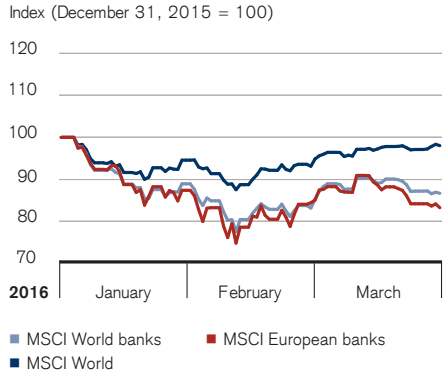
After a difficult start into the year, equity markets rebounded starting from mid-February. Equity market volatility increased significantly at the beginning of the year, but was down at the end of the quarter.

**Performance region**



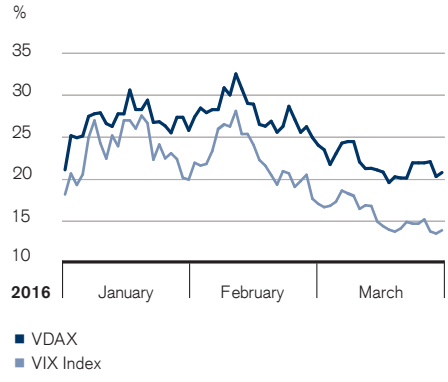

**Source:** Datastream, MSCI Barra, Credit Suisse

**Performance world banks**




**Source:** Datastream, MSCI Barra, Credit Suisse

**Volatility**




**Source:** Datastream, Credit Suisse

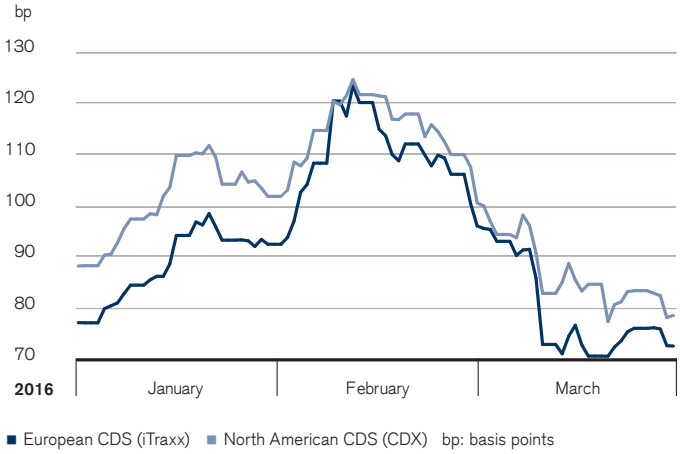
Government bond yields declined in 1Q16, led by the long end of the maturity curve (refer to the charts "Yield curves") as risk aversion increased significantly until mid-February and major central banks signaled a continued low interest rate environment. Among major government bond markets, US treasury bonds and UK gilts outperformed. In contrast, after a very strong 2015 performance, Canadian bonds underperformed due to improving economic momentum and the rebound in commodity prices since mid-February. The ECB measures did not result in significantly tighter euro credit spreads, with US investment grade and high yield corporate bonds posting higher total returns than European credits. Inflation-linked bonds were negatively impacted by the slight decrease in long-term inflation expectations related to the decline in commodity prices in the first half of the quarter, and were outperformed by nominal bonds in 1Q16. Emerging market sovereign hard currency bonds outperformed developed market credit segments in 1Q16. Emerging market sovereign local currency bonds exhibited the best performance in US dollar terms, supported by lower yields in domestic markets as well as positive emerging market currency gains.

The US dollar depreciated against most other major currencies in 1Q16, except against the British pound, as a result of the expectations of a slower pace of interest rate increases during 2016 signaled by the Fed. Commodity-driven currencies, such as the Australian and Canadian dollar, appreciated as commodity prices rose from their multi-year lows in February. The Swiss franc remained stable against the euro. The weakest currency among the G-10 countries was the British pound. Currencies of commodity-exporting countries in emerging markets such as the Russian ruble and Brazilian real strengthened.

Commodities experienced a volatile 1Q16. Oil prices decreased before a strong recovery in the second half of the quarter. Gold prices had a positive start to the year due to continued low interest rate expectations and US dollar weakness. The Credit Suisse Commodities Benchmark ended the quarter slightly lower.

## Credit spreads

In line with equity market volatility, credit spreads significantly increased at the beginning of the year, but ended the quarter lower.




**Source:** Bloomberg, Credit Suisse

## Market volumes (growth in %)

| | Global | | Europe | |
|---|---|---|---|---|
| end of 1Q16 | QoQ | YoY | QoQ | YoY |
| Equity trading volume [1] | 13 | (2) | 8 | (12) |
| Announced mergers and acquisitions [2] | (54) | (18) | (35) | 1 |
| Completed mergers and acquisitions [2] | (21) | (10) | 29 | 1 |
| Equity underwriting [2] | (36) | (50) | (71) | (63) |
| Debt underwriting [2] | 24 | (23) | 64 | (19) |
| Syndicated lending – investment grade [2] | (40) | (13) | – | – |

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

### SECTOR ENVIRONMENT

Financials were among the weakest equity sectors. World bank stocks significantly underperformed global equity markets in 1Q16, and European bank stocks underperformed world bank stocks (refer to the charts "Equity markets").

In private banking, the low interest rate environment, global growth concerns and the uncertainty about the central banks' monetary policies provided challenging market conditions. The sector continues to adapt to significant structural pressure from industry-specific regulatory changes, tax regularization and anti-money laundering initiatives. In particular, regulatory requirements for investment advisory services continue to increase, including the areas of suitability and appropriateness of advice, client information and documentation.

For investment banking, global equity trading volumes increased compared to 4Q15, but decreased slightly compared to 1Q15. Global announced and completed mergers and acquisitions (M&A) volumes decreased significantly compared to 4Q15 and 1Q15. Global and European equity underwriting volumes were significantly lower compared to 4Q15 and 1Q15. Global and European debt underwriting volumes were higher compared to 4Q15 but lower compared to 1Q15. Compared to 4Q15, total US fixed income trading volumes were higher, but slightly lower compared to 1Q15.

# Credit Suisse

In 1Q16, we recorded a net loss attributable to shareholders of CHF 302 million. As of the end of 1Q16, our Basel III CET1 ratio was 13.6% and 11.4% on a look-through basis. Our risk-weighted assets were CHF 280.4 billion.

## Results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| Net interest income | 2,011 | 2,194 | 2,152 | (8) | (7) |
| Commissions and fees | 2,675 | 2,914 | 2,979 | (8) | (10) |
| Trading revenues | (271) | (1,349) | 1,390 | (80) | – |
| Other revenues | 223 | 451 | 126 | (51) | 77 |
| **Net revenues** | **4,638** | **4,210** | **6,647** | 10 | (30) |
| **Provision for credit losses** | **150** | **133** | **30** | 13 | 400 |
| Compensation and benefits | 2,482 | 3,149 | 2,976 | (21) | (17) |
| General and administrative expenses | 1,848 | 2,808 | 1,738 | (34) | 6 |
| Commission expenses | 387 | 409 | 392 | (5) | (1) |
| Goodwill impairment | 0 | 3,797 | 0 | (100) | – |
| Restructuring expenses | 255 | 355 | – | (28) | – |
| Total other operating expenses | 2,490 | 7,369 | 2,130 | (66) | 17 |
| **Total operating expenses** | **4,972** | **10,518** | **5,106** | (53) | (3) |
| **Income/(loss) from continuing operations before taxes** | **(484)** | **(6,441)** | **1,511** | (92) | – |
| Income tax expense/(benefit) | (179) | (627) | 477 | (71) | – |
| **Net income/(loss)** | **(305)** | **(5,814)** | **1,034** | (95) | – |
| Net income/(loss) attributable to noncontrolling interests | (3) | 14 | (20) | – | (85) |
| **Net income/(loss) attributable to shareholders** | **(302)** | **(5,828)** | **1,054** | (95) | – |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | – | – | 10.7 | – | – |
| Cost/income ratio | 107.2 | 249.8 | 76.8 | – | – |
| Effective tax rate | 37.0 | 9.7 | 31.6 | – | – |
| **Earnings per share (CHF)** | | | | | |
| Basic earnings/(loss) per share | (0.15) | (3.28) | 0.62 | (95) | – |
| Diluted earnings/(loss) per share | (0.15) | (3.28) | 0.60 | (95) | – |
| **Return on equity (%, annualized)** | | | | | |
| Return on equity attributable to shareholders | (2.6) | (51.3) | 9.9 | – | – |
| Return on tangible equity attributable to shareholders [1] | (3.0) | (62.7) | 12.4 | – | – |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 813,898 | 820,805 | 904,390 | (1) | (10) |
| Risk-weighted assets [2] | 280,382 | 289,946 | 283,095 | (3) | (1) |
| Leverage exposure [2] | 969,541 | 987,628 | 1,102,728 | (2) | (12) |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 47,760 | 48,210 | 46,410 | (1) | 3 |

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

[2] Disclosed on a look-through basis.

## Credit Suisse reporting structure

Credit Suisse includes the results of our six reporting segments, including the Strategic Resolution Unit, and the Corporate Center. Core Results do not include revenues and expenses from our Strategic Resolution Unit.




## RESULTS SUMMARY

### 1Q16 results

In 1Q16, Credit Suisse reported a net loss attributable to shareholders of CHF 302 million compared to net income attributable to shareholders of CHF 1,054 million in 1Q15.

**Net revenues** of CHF 4,638 million decreased 30% compared to 1Q15, primarily reflecting lower net revenues in Global Markets, the Strategic Resolution Unit, Asia Pacific, Investment Banking & Capital Markets and Swiss Universal Bank, partially offset by higher net revenues in International Wealth Management. Net revenues in Global Markets declined due to challenging market making conditions, continued mark-to-market losses and low levels of client and issuance activity. Net revenues in the Strategic Resolution Unit decreased primarily driven by valuation adjustments in the legacy investment banking portfolio and lower revenues from the restructuring of select onshore businesses, in particular the transfer of our US private banking business. Net revenues in Asia Pacific decreased, driven by lower equity sales and trading revenues reflecting a strong performance in 1Q15. Lower net revenues in Investment Banking & Capital Markets reflected lower debt and equity underwriting and other revenues, partially offset by higher advisory and other fees. Net revenues in Swiss Universal Bank were slightly lower, mainly due to lower transaction-based revenues and lower recurring commissions and fees, including the impact from the deconsolidation of the cards issuing business in 2015, partially offset by higher net interest income. Net revenues in International Wealth Management increased due to significantly higher net interest income, partially offset by lower transaction- and performance-based revenues.

**Provision for credit losses** of CHF 150 million primarily reflected net provisions of CHF 68 million in Global Markets, CHF 53 million in Investment Banking & Capital Markets and CHF 46 million in the Strategic Resolution Unit. The overall net increase in provision for credit losses of CHF 120 million from CHF 30 million in 1Q15 was mainly related to increases of CHF 64 million in Global Markets, CHF 53 million in Investment Banking & Capital Markets and CHF 41 million in the Strategic Resolution Unit.

**Total operating expenses** of CHF 4,972 million decreased 3% compared to 1Q15, primarily reflecting a 17% decrease in compensation and benefits, mainly due to reduced discretionary compensation expenses and lower deferred compensation expenses from prior-year awards reflecting a lower deferral rate, partially offset by a 6% increase in general and administrative expenses, mainly reflecting increased investments in our risk, regulatory and compliance infrastructure. In addition, we incurred CHF 255 million of restructuring expenses in 1Q16 in connection with our new strategy, of which CHF 182 million related to severance and other compensation expenses.

**Income tax credit** of CHF 179 million recorded in 1Q16 mainly reflected the impact of the geographical mix of results and the impact of a deferred tax asset re-assessment in Switzerland. Overall, net deferred tax assets increased CHF 166 million to CHF 6,291 million, mainly driven by the 1Q16 deferred tax asset re-assessment. Deferred tax assets on net operating losses increased CHF 594 million to CHF 2,348 million during 1Q16. The Credit Suisse effective tax rate was 37.0% in 1Q16, compared to 9.7% in 4Q15.

▸ Refer to "Note 23 – Tax" in III – Condensed consolidated financial statements – unaudited for further information.

## Overview of Results

| in / end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **1Q16 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,316** | **1,108** | **894** | **973** | **369** | **90** | **4,750** | **(112)** | **4,638** |
| **Provision for credit losses** | **6** | **(2)** | **(21)** | **68** | **53** | **0** | **104** | **46** | **150** |
| Compensation and benefits | 460 | 485 | 403 | 732 | 285 | (71) | 2,294 | 188 | 2,482 |
| Total other operating expenses | 424 | 355 | 261 | 808 | 134 | 130 | 2,112 | 378 | 2,490 |
| of which restructuring expenses | 40 | 9 | 1 | 101 | 27 | 0 | 178 | 77 | 255 |
| **Total operating expenses** | **884** | **840** | **664** | **1,540** | **419** | **59** | **4,406** | **566** | **4,972** |
| **Income/(loss) before taxes** | **426** | **270** | **251** | **(635)** | **(103)** | **31** | **240** | **(724)** | **(484)** |
| Return on regulatory capital (%) | 14.5 | 23.4 | 20.4 | – | – | – | 2.3 | – | – |
| Cost/income ratio (%) | 67.2 | 75.8 | 74.3 | 158.3 | 113.6 | – | 92.8 | – | 107.2 |
| Total assets | 215,084 | 81,097 | 85,118 | 272,520 | 18,341 | 67,677 | 739,837 | 74,061 | 813,898 |
| Goodwill | 603 | 1,523 | 1,486 | 453 | 623 | 0 | 4,688 | 0 | 4,688 |
| Risk-weighted assets [1] | 63,460 | 31,950 | 27,920 | 70,044 | 15,878 | 16,568 | 225,820 | 54,562 | 280,382 |
| Leverage exposure [1] | 233,288 | 84,909 | 98,772 | 327,588 | 38,530 | 64,241 | 847,328 | 122,213 | 969,541 |
| **4Q15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,470** | **1,146** | **826** | **1,127** | **403** | **(783)** | **4,189** | **21** | **4,210** |
| **Provision for credit losses** | **43** | **(8)** | **3** | **(1)** | **3** | **0** | **40** | **93** | **133** |
| Compensation and benefits | 524 | 528 | 390 | 968 | 368 | 134 | 2,912 | 237 | 3,149 |
| Total other operating expenses | 536 | 646 | 1,050 | 3,634 | 529 | 161 | 6,556 | 813 | 7,369 |
| of which goodwill impairment | 0 | 0 | 756 | 2,661 | 380 | 0 | 3,797 | 0 | 3,797 |
| of which restructuring expenses | 39 | 33 | 3 | 105 | 22 | 0 | 202 | 153 | 355 |
| **Total operating expenses** | **1,060** | **1,174** | **1,440** | **4,602** | **897** | **295** | **9,468** | **1,050** | **10,518** |
| **Income/(loss) before taxes** | **367** | **(20)** | **(617)** | **(3,474)** | **(497)** | **(1,078)** | **(5,319)** | **(1,122)** | **(6,441)** |
| Return on regulatory capital (%) | 12.5 | – | – | – | – | – | – | – | – |
| Cost/income ratio (%) | 72.1 | 102.4 | 174.3 | 408.3 | 222.6 | – | 226.0 | – | 249.8 |
| Total assets | 218,306 | 94,033 | 85,929 | 262,201 | 19,800 | 62,872 | 743,141 | 77,664 | 820,805 |
| Goodwill | 567 | 1,549 | 1,522 | 531 | 639 | 0 | 4,808 | 0 | 4,808 |
| Risk-weighted assets [1] | 59,869 | 32,407 | 27,624 | 73,706 | 17,824 | 16,878 | 228,308 | 61,638 | 289,946 |
| Leverage exposure [1] | 235,700 | 99,112 | 98,698 | 313,315 | 42,861 | 59,723 | 849,409 | 138,219 | 987,628 |
| **1Q15 (CHF million)** | | | | | | | | | |
| **Net revenues** | **1,347** | **1,069** | **1,088** | **2,416** | **400** | **151** | **6,471** | **176** | **6,647** |
| **Provision for credit losses** | **23** | **1** | **(3)** | **4** | **0** | **0** | **25** | **5** | **30** |
| Compensation and benefits | 466 | 511 | 383 | 910 | 342 | 108 | 2,720 | 256 | 2,976 |
| Total other operating expenses | 431 | 294 | 243 | 660 | 105 | 99 | 1,832 | 298 | 2,130 |
| **Total operating expenses** | **897** | **805** | **626** | **1,570** | **447** | **207** | **4,552** | **554** | **5,106** |
| **Income/(loss) before taxes** | **427** | **263** | **465** | **842** | **(47)** | **(56)** | **1,894** | **(383)** | **1,511** |
| Return on regulatory capital (%) | 13.8 | 23.7 | 29.4 | 17.3 | – | – | 16.4 | – | 10.7 |
| Cost/income ratio (%) | 66.6 | 75.3 | 57.5 | 65.0 | 111.8 | – | 70.3 | – | 76.8 |
| Total assets | 228,669 | 95,021 | 106,442 | 329,522 | 14,674 | 32,315 | 806,643 | 97,747 | 904,390 |
| Goodwill | 562 | 1,523 | 2,255 | 3,157 | 1,007 | 0 | 8,504 | 0 | 8,504 |
| Risk-weighted assets [1] | 59,873 | 30,615 | 27,949 | 71,248 | 14,665 | 15,898 | 220,248 | 62,847 | 283,095 |
| Leverage exposure [1] | 254,804 | 92,693 | 115,305 | 394,409 | 35,151 | 28,029 | 920,391 | 182,337 | 1,102,728 |

[1] Disclosed on a look-through basis.

## EMPLOYEES

Headcount at the end of 1Q16 was 47,760, down 450 from 4Q15, primarily reflecting the impact of our cost efficiency initiatives.

### Number of employees

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Number of employees (full-time equivalents)** | | |
| Swiss Universal Bank | 14,210 | 14,180 |
| International Wealth Management | 9,220 | 9,130 |
| Asia Pacific | 6,840 | 6,670 |
| Global Markets | 12,790 | 13,020 |
| Investment Banking & Capital Markets | 2,870 | 2,800 |
| Strategic Resolution Unit | 1,480 | 2,060 |
| Corporate Center | 350 | 350 |
| **Number of employees** | **47,760** | **48,210** |

## INFORMATION AND DEVELOPMENTS

### Format of presentation

In managing the business, revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense from financing and hedging positions. For this reason, individual revenue categories may not be indicative of performance.

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

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

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

▸ Refer to "Leverage metrics" and "Economic risk capital review" in II – Treasury, risk, balance sheet and off-balance sheet – Capital management and Risk management, respectively, for further information.

As of January 1, 2016, we early adopted certain sections of Accounting Standards Update (ASU) 2016-01, which require that changes in fair value relating to the instrument-specific credit risk of fair value option-elected financial liabilities be presented separately in accumulated other comprehensive income. As a result of the adoption, a reclassification of a gain from retained earnings to accumulated other comprehensive income of CHF 475 million, net of tax, was recorded.

▸ Refer to "ASC Topic 825 – Financial instruments – Overall" in III – Condensed consolidated financial statements – unaudited – Note 2 – Recently issued accounting standards – Recently adopted accounting standards for further information.

### Adjusted results

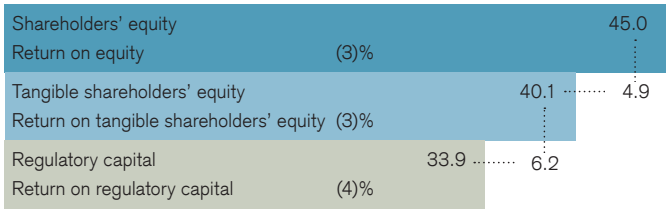
Adjusted results referred to in this report are non-GAAP financial measures that exclude goodwill impairment and certain other items included in our reported results. Management believes that adjusted results provide a useful presentation of our operating results for purposes of assessing our Group and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

▸ Refer to "Reconciliation of adjusted results" for further information.

### Return on regulatory capital

Credit Suisse measures firm-wide returns against total shareholders' equity and tangible shareholders' equity. In addition, it also measures the efficiency of the firm and its divisions with regards to the usage of capital as determined by the minimum requirements set by regulators. This regulatory capital is calculated as the worst of 10% of risk-weighted assets and 3.5% of the leverage exposure. Return on regulatory capital is calculated using income after tax and assumes a tax rate of 30% and capital allocated based on the worst of 10% of average risk-weighted assets and 3.5% of average leverage exposure. These percentages are used in the calculation in order to reflect the 2019 fully phased in Swiss regulatory minimum requirements for Basel III common equity tier 1 (CET1) capital and leverage ratio.

End of / in 1Q16 (CHF billion, except where indicated)




### Acceleration of the announced strategy

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

Refer to "Note 3 – Business developments" in III – Condensed consolidated financial statements – unaudited for further information on the acceleration of the announced strategy.

**York Capital Management**

In November 2010, Credit Suisse's Asset Management business acquired a significant non-controlling economic interest in York Capital Management (York), a leading global event-driven hedge fund manager, from York's owners. The transaction provided for earn-out payments based on the five-year financial performance by York, to be covered by an issuance of new shares of Credit Suisse Group AG (approximately 1% of the issued share capital) out of the Group's authorized share capital in accordance with its articles of association. This share issuance is currently planned for early June 2016 and the newly issued shares will be sold in the market. To that end, prior to the issuance of these shares, Credit Suisse may, in compliance with laws and regulations, in particular with the Financial Market Infrastructure Act and its implementing ordinance, effect transactions which could involve the borrowing and sale of shares of Credit Suisse Group during the second quarter of 2016.

**Scrip dividend**

The Board of Directors has set the discount for the scrip dividend for the financial year 2015 at 10%.

**Fair valuations**

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

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 29 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information.

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

As of the end of 1Q16, 43% and 25% of our total assets and total liabilities, respectively, were measured at fair value.

The majority of our level 3 assets are recorded in our investment banking businesses. Total assets at fair value recorded as level 3 decreased CHF 4.3 billion to CHF 28.7 billion as of the end of 1Q16, primarily reflecting net sales, mainly in loans held-for-sale, and the foreign exchange translation impact, mainly in trading assets and loans.

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 28.2 billion, compared to CHF 29.3 billion as of the end of 4Q15. As of the end of 1Q16, these assets comprised 3% of total assets and 8% of total assets measured at fair value, both adjusted on the same basis, compared to 4% and 9%, respectively, as of the end of 4Q15.

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

## REGULATORY DEVELOPMENTS AND PROPOSALS

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

Following the entry into effect on December 4, 2015 of the European Commission's (EC) equivalence decision regarding the regulatory regime of Central Counterparties (CCPs) established in the Republic of Korea, the European Securities and Markets Authority (ESMA) published on March 22, 2016 a memorandum of understanding (MoU) it has entered into with the South Korean Financial Services Commission and Financial Supervisory Service under the "European Market Infrastructure Regulation" (EMIR). The MoU establishes co-operation arrangements regarding CCPs established and authorized in South Korea which have applied to ESMA for recognition under EMIR in order to provide clearing services to clearing members or trading venues established in the EU. The memorandum of understanding provides ESMA with tools to monitor those South Korean CCPs' on-going compliance with the recognition conditions in EMIR.

On March 31, 2016, the Prudential Regulation Authority issued a supervisory statement on corporate governance, focusing on board responsibilities. The supervisory statement addresses areas such as culture, risk appetite and risk management, board composition, the roles of executive and non-executive directors, board time and resources, succession planning, remuneration and subsidiary boards.

On April 6, 2016, the US Department of Labor released final rules revising the definition of "fiduciary" for purposes of the US Employee Retirement Security Act of 1974, as amended (ERISA), and US Internal Revenue Code (IRC). The revised definition will impose heightened standards of conduct for banks, broker-dealers, and investment advisers when engaging with plans and accounts subject to ERISA and IRC and prohibit transactions viewed as conflicts of interest subject to narrow exceptions and exemptions. The rule will become applicable April 10, 2017 and may require us to revise our policies and procedures and practices for dealing with such plans and accounts.

On April 7, 2016, the EC adopted a delegated directive supplementing the Revised Markets in Financial Instruments Directive (MiFID II) on the provision or receipt of inducements and investment research as well as various safeguarding measures relating to, among other things, financial instruments and funds belonging to clients and product governance obligations.

On April 13, 2016, the US Securities and Exchange Commission (SEC) adopted final internal and external business conduct rules for security-based swap (SBS) dealers and major SBS participants. Depending on the outcome of a comparability analysis by the SEC, our non-US SBS dealers, Credit Suisse International (CSI) and Credit Suisse Securities (Europe) Limited (CSSEL), could potentially satisfy these rules through substituted compliance with EU or UK regulations. If substituted compliance is not available, we may incur significant costs to comply with the rules. In particular, the external conduct rules will apply to transactions between a non-US SBS dealer, such as CSI or CSSEL, and a non-US SBS counterparty that are arranged, negotiated or executed by US personnel acting on behalf of the non-US SBS dealer which could deter non-US SBS counterparties from interacting with our US personnel. Mitigating this issue could require us to reorganize our front office functions accordingly, which could impede effective risk management and market making activities in SBSs based on US companies. These rules will not apply to us until CSI and CSSEL are required to register as SBS dealers, which will not occur until after the SEC finalizes additional rules relating to the regulation of such entities.

On April 25, 2016, the EC adopted a delegated regulation supplementing MiFID II. The delegated regulation specifies the rules relating to organizational requirements and operating conditions for investment firms, conduct of business, client order handling and best execution rules, as well as provisions relating to costs disclosures and other reporting to clients.

In the first quarter, the EC published a number of delegated regulations supplementing the EU Market Abuse Regulation. The delegated regulations relate to buy-back programs and stabilization measures, establish rules on reporting orders and transactions that could constitute insider dealing or market manipulation and set out requirements on recommendations produced on an issuer or financial instrument. The delegated regulations also set out rules relating to indicators of market manipulation as well as rules on the circumstances under which trading during closed periods may be permitted and the types of managers' transactions which may need to be notified.

▸ Refer to "Regulation and supervision" in I – Information on the company in the Credit Suisse Annual Report 2015 for further information and "Regulatory developments and proposals" and "Regulatory framework" in II – Treasury, risk, balance sheet and off-balance sheet – Capital management and Liquidity and funding management, respectively, for further information.

## CORE RESULTS

### 1Q16 results

In 1Q16, Core Results net revenues of CHF 4,750 million decreased 27% compared to 1Q15, primarily reflecting lower net revenues in Global Markets, Asia Pacific, Investment Banking & Capital Markets and Swiss Universal Bank, partially offset by higher net revenues in International Wealth Management. Provision for credit losses was CHF 104 million, primarily reflecting net provisions of CHF 68 million in Global Markets and CHF 53 million in Investment Banking & Capital Markets. Total operating expenses of CHF 4,406 million decreased 3% compared to 1Q15, primarily reflecting a 16% decrease in compensation and benefits, partially offset by a 6% increase in general and administrative expenses. In addition, we incurred CHF 178 million of restructuring expenses in 1Q16 in connection with our new strategy.

### Credit Suisse and Core Results

| | Core Results | | | Strategic Resolution Unit | | | Credit Suisse | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **1Q16** | 4Q15 | 1Q15 | **1Q16** | 4Q15 | 1Q15 | **1Q16** | 4Q15 | 1Q15 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **4,750** | **4,189** | **6,471** | **(112)** | **21** | **176** | **4,638** | **4,210** | **6,647** |
| **Provision for credit losses** | **104** | **40** | **25** | **46** | **93** | **5** | **150** | **133** | **30** |
| Compensation and benefits | 2,294 | 2,912 | 2,720 | 188 | 237 | 256 | 2,482 | 3,149 | 2,976 |
| General and administrative expenses | 1,565 | 2,189 | 1,483 | 283 | 619 | 255 | 1,848 | 2,808 | 1,738 |
| Commission expenses | 369 | 368 | 349 | 18 | 41 | 43 | 387 | 409 | 392 |
| Goodwill impairment | 0 | 3,797 | 0 | 0 | 0 | 0 | 0 | 3,797 | 0 |
| Restructuring expenses | 178 | 202 | – | 77 | 153 | – | 255 | 355 | – |
| Total other operating expenses | 2,112 | 6,556 | 1,832 | 378 | 813 | 298 | 2,490 | 7,369 | 2,130 |
| **Total operating expenses** | **4,406** | **9,468** | **4,552** | **566** | **1,050** | **554** | **4,972** | **10,518** | **5,106** |
| **Income/(loss) before taxes** | **240** | **(5,319)** | **1,894** | **(724)** | **(1,122)** | **(383)** | **(484)** | **(6,441)** | **1,511** |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Return on regulatory capital | 2.3 | – | 16.4 | – | – | – | – | – | 10.7 |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Total assets | 739,837 | 743,141 | 806,643 | 74,061 | 77,664 | 97,747 | 813,898 | 820,805 | 904,390 |
| Risk-weighted assets [1] | 225,820 | 228,308 | 220,248 | 54,562 | 61,638 | 62,847 | 280,382 | 289,946 | 283,095 |
| Leverage exposure [1] | 847,328 | 849,409 | 920,391 | 122,213 | 138,219 | 182,337 | 969,541 | 987,628 | 1,102,728 |

[1] Disclosed on a look-through basis.

## RECONCILIATION OF ADJUSTED RESULTS

Adjusted results are non-GAAP financial measures that exclude goodwill impairment and certain other items included in our reported results. Provided below is a reconciliation of our adjusted results to the most directly comparable US GAAP measures.

### Reconciliation of adjusted results

| | Core Results | | | Strategic Resolution Unit | | | Credit Suisse | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **1Q16** | 4Q15 | 1Q15 | **1Q16** | 4Q15 | 1Q15 | **1Q16** | 4Q15 | 1Q15 |
| **Reconciliation of adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **4,750** | **4,189** | **6,471** | **(112)** | **21** | **176** | **4,638** | **4,210** | **6,647** |
| Fair value on own debt | – | 697 | (144) | – | – | – | – | 697 | (144) |
| Real estate gains | 0 | (72) | 0 | 0 | 0 | 0 | 0 | (72) | 0 |
| (Gains)/losses on business sales [1] | 52 | (34) | 0 | 4 | 0 | 0 | 56 | (34) | 0 |
| **Adjusted net revenues** | **4,802** | **4,780** | **6,327** | **(108)** | **21** | **176** | **4,694** | **4,801** | **6,503** |
| **Provision for credit losses** | **104** | **40** | **25** | **46** | **93** | **5** | **150** | **133** | **30** |
| **Total operating expenses** | **4,406** | **9,468** | **4,552** | **566** | **1,050** | **554** | **4,972** | **10,518** | **5,106** |
| Goodwill impairment | 0 | (3,797) | 0 | 0 | 0 | 0 | 0 | (3,797) | 0 |
| Restructuring expenses | (178) | (202) | – | (77) | (153) | – | (255) | (355) | – |
| Major litigation provisions | 0 | (309) | 10 | 0 | (255) | 0 | 0 | (564) | 10 |
| **Adjusted total operating expenses** | **4,228** | **5,160** | **4,562** | **489** | **642** | **554** | **4,717** | **5,802** | **5,116** |
| **Income/(loss) before taxes** | **240** | **(5,319)** | **1,894** | **(724)** | **(1,122)** | **(383)** | **(484)** | **(6,441)** | **1,511** |
| Total adjustments | 230 | 4,899 | (154) | 81 | 408 | 0 | 311 | 5,307 | (154) |
| **Adjusted income/(loss) before taxes** | **470** | **(420)** | **1,740** | **(643)** | **(714)** | **(383)** | **(173)** | **(1,134)** | **1,357** |

[1] Gains on business sales reflect sales of stakes in Euroclear of CHF 34 million in 4Q15 and include cumulative losses on sales of businesses of CHF 4 million in the Strategic Resolution Unit and a reclassification of CHF 52 million from cumulative translation adjustments to other revenues in the Corporate Center in connection with the sale of Credit Suisse (Gibraltar) Limited in 1Q16.

## Core Results by business activity

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | 1Q16 Core Results | 4Q15 Core Results | 1Q15 Core Results |
|---|---|---|---|---|---|---|---|---|---|
| **Related to private banking (CHF million)** | | | | | | | | | |
| Net revenues | 828 | 786 | 300 | – | – | – | 1,914 | 2,006 | 1,944 |
| of which net interest income | 459 | 301 | 116 | – | – | – | 876 | 871 | 722 |
| of which recurring | 235 | 276 | 73 | – | – | – | 584 | 600 | 650 |
| of which transaction-based | 132 | 211 | 128 | – | – | – | 471 | 447 | 572 |
| Provision for credit losses | 9 | (2) | (17) | – | – | – | (10) | 1 | 12 |
| Total operating expenses | 618 | 586 | 215 | – | – | – | 1,419 | 1,847 | 1,364 |
| **Income before taxes** | **201** | **202** | **102** | **–** | **–** | **–** | **505** | **158** | **568** |
| **Related to corporate & institutional banking** | | | | | | | | | |
| Net revenues | 488 | – | – | – | – | – | 488 | 517 | 448 |
| of which net interest income | 276 | – | – | – | – | – | 276 | 288 | 205 |
| of which recurring | 109 | – | – | – | – | – | 109 | 116 | 121 |
| of which transaction-based | 113 | – | – | – | – | – | 113 | 113 | 127 |
| Provision for credit losses | (3) | – | – | – | – | – | (3) | 29 | 11 |
| Total operating expenses | 266 | – | – | – | – | – | 266 | 287 | 253 |
| **Income before taxes** | **225** | **–** | **–** | **–** | **–** | **–** | **225** | **201** | **184** |
| **Related to investment banking** | | | | | | | | | |
| Net revenues | – | – | 594 | 973 | 369 | – | 1,936 | 2,085 | 3,607 |
| of which fixed income sales and trading | – | – | 256 | 262 | – | – | 518 | 442 | 1,718 |
| of which equity sales and trading | – | – | 294 | 563 | – | – | 857 | 981 | 1,283 |
| of which underwriting and advisory | – | – | 71 | 150 | 450 | – | 671 | 877 | 679 |
| Provision for credit losses | – | – | (4) | 68 | 53 | – | 117 | 10 | 2 |
| Total operating expenses | – | – | 449 | 1,540 | 419 | – | 2,408 | 6,711 | 2,453 |
| **Income/(loss) before taxes** | **–** | **–** | **149** | **(635)** | **(103)** | **–** | **(589)** | **(4,636)** | **1,152** |
| **Related to asset management** | | | | | | | | | |
| Net revenues | – | 322 | – | – | – | – | 322 | 364 | 321 |
| Provision for credit losses | – | 0 | – | – | – | – | 0 | 0 | 0 |
| Total operating expenses | – | 254 | – | – | – | – | 254 | 328 | 275 |
| **Income before taxes** | **–** | **68** | **–** | **–** | **–** | **–** | **68** | **36** | **46** |
| **Related to corporate center** | | | | | | | | | |
| Net revenues | – | – | – | – | – | 90 | 90 | (783) | 151 |
| Provision for credit losses | – | – | – | – | – | 0 | 0 | 0 | 0 |
| Total operating expenses | – | – | – | – | – | 59 | 59 | 295 | 207 |
| **Income/(loss) before taxes** | **–** | **–** | **–** | **–** | **–** | **31** | **31** | **(1,078)** | **(56)** |
| **Total** | | | | | | | | | |
| Net revenues | 1,316 | 1,108 | 894 | 973 | 369 | 90 | 4,750 | 4,189 | 6,471 |
| Provision for credit losses | 6 | (2) | (21) | 68 | 53 | 0 | 104 | 40 | 25 |
| Total operating expenses | 884 | 840 | 664 | 1,540 | 419 | 59 | 4,406 | 9,468 | 4,552 |
| **Income/(loss) before taxes** | **426** | **270** | **251** | **(635)** | **(103)** | **31** | **240** | **(5,319)** | **1,894** |

# Swiss Universal Bank

In 1Q16, we reported income before taxes of CHF 426 million and net revenues of CHF 1,316 million. Income before taxes was stable compared to 1Q15 and 16% higher compared to 4Q15.

## RESULTS SUMMARY

### 1Q16 results

In 1Q16, we reported income before taxes of CHF 426 million and net revenues of CHF 1,316 million. Compared to 1Q15, net revenues were slightly lower, mainly due to lower transaction-based revenues and lower recurring commissions and fees, including the impact from the deconsolidation of the cards issuing business in 2015, partially offset by higher net interest income. Total operating expenses were stable compared to 1Q15 with lower general and administrative expenses, reflecting the deconsolidation of the cards issuing business, offset by restructuring expenses in connection with the implementation of the new strategy.

Compared to 4Q15, net revenues decreased 10%, mainly due to gains on the sale of real estate, an extraordinary dividend from our ownership interest in SIX Group AG and the partial sale of an investment in Euroclear in 4Q15. Total operating expenses decreased 17% compared to 4Q15, primarily reflecting lower general and administrative expenses and lower compensation and benefits.

Adjusted income before taxes of CHF 466 million increased 9% compared to 1Q15 and 39% compared to 4Q15.

### Capital and leverage metrics

As of the end of 1Q16, we reported risk-weighted assets of CHF 63.5 billion, an increase of CHF 3.6 billion compared to the end of 4Q15. The increase was mainly due to business growth and regulatory impacts, including the phase-in of the Swiss mortgage multipliers, partially offset by the foreign exchange impact. Leverage exposure was CHF 233.3 billion, reflecting a decrease of CHF 2.4 billion compared to the end of 4Q15.

## Divisional results

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **1,316** | **1,470** | **1,347** | (10) | (2) |
| **Provision for credit losses** | **6** | **43** | **23** | (86) | (74) |
| Compensation and benefits | 460 | 524 | 466 | (12) | (1) |
| General and administrative expenses | 316 | 427 | 362 | (26) | (13) |
| Commission expenses | 68 | 70 | 69 | (3) | (1) |
| Restructuring expenses | 40 | 39 | – | 3 | – |
| Total other operating expenses | 424 | 536 | 431 | (21) | (2) |
| **Total operating expenses** | **884** | **1,060** | **897** | (17) | (1) |
| **Income before taxes** | **426** | **367** | **427** | 16 | 0 |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | 14.5 | 12.5 | 13.8 | – | – |
| Cost/income ratio | 67.2 | 72.1 | 66.6 | – | – |
| **Economic risk capital and return** | | | | | |
| Average economic risk capital (CHF million) | 5,010 | 4,794 | 4,972 | 5 | 1 |
| Pre-tax return on average economic risk capital (%) [1] | 34.1 | 30.7 | 34.5 | – | – |
| **Number of employees and relationship managers** | | | | | |
| Number of employees (full-time equivalents) | 14,210 | 14,180 | 13,390 | 0 | 6 |
| Number of relationship managers | 2,040 | 2,060 | 2,080 | (1) | (2) |

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

## Divisional results (continued)

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Net revenue detail (CHF million)** | | | | | |
| Private Banking | 828 | 953 | 899 | (13) | (8) |
| Corporate & Institutional Banking | 488 | 517 | 448 | (6) | 9 |
| **Net revenues** | **1,316** | **1,470** | **1,347** | (10) | (2) |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 735 | 753 | 611 | (2) | 20 |
| Recurring commissions and fees | 344 | 373 | 412 | (8) | (17) |
| Transaction-based revenues | 245 | 262 | 329 | (6) | (26) |
| Other revenues | (8) | 82 | (5) | – | 60 |
| **Net revenues** | **1,316** | **1,470** | **1,347** | (10) | (2) |
| **Provision for credit losses (CHF million)** | | | | | |
| New provisions | 26 | 60 | 37 | (57) | (30) |
| Releases of provisions | (20) | (17) | (14) | 18 | 43 |
| **Provision for credit losses** | **6** | **43** | **23** | (86) | (74) |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 215,084 | 218,306 | 228,669 | (1) | (6) |
| Net loans | 164,071 | 163,850 | 164,285 | 0 | 0 |
| Risk-weighted assets | 63,460 | 59,869 | 59,873 | 6 | 6 |
| Leverage exposure | 233,288 | 235,700 | 254,804 | (1) | (8) |

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

## Reconciliation of adjusted results

| | | Private Banking | | | Corporate & Institutional Banking | | | **Swiss Universal Bank** | |
|---|---|---|---|---|---|---|---|---|---|
| in | **1Q16** | 4Q15 | 1Q15 | **1Q16** | 4Q15 | 1Q15 | **1Q16** | 4Q15 | 1Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **828** | **953** | **899** | **488** | **517** | **448** | **1,316** | **1,470** | **1,347** |
| Real estate gains | 0 | (72) | 0 | 0 | 0 | 0 | 0 | (72) | 0 |
| Gains on business sales | 0 | (10) | 0 | 0 | (13) | 0 | 0 | (23) | 0 |
| **Adjusted net revenues** | **828** | **871** | **899** | **488** | **504** | **448** | **1,316** | **1,375** | **1,347** |
| **Provision for credit losses** | **9** | **14** | **12** | **(3)** | **29** | **11** | **6** | **43** | **23** |
| **Total operating expenses** | **618** | **773** | **644** | **266** | **287** | **253** | **884** | **1,060** | **897** |
| Restructuring expenses | (34) | (32) | – | (6) | (7) | – | (40) | (39) | – |
| Major litigation provisions | 0 | (25) | 0 | 0 | 0 | 0 | 0 | (25) | 0 |
| **Adjusted total operating expenses** | **584** | **716** | **644** | **260** | **280** | **253** | **844** | **996** | **897** |
| **Income before taxes** | **201** | **166** | **243** | **225** | **201** | **184** | **426** | **367** | **427** |
| Total adjustments | 34 | (25) | 0 | 6 | (6) | 0 | 40 | (31) | 0 |
| **Adjusted income before taxes** | **235** | **141** | **243** | **231** | **195** | **184** | **466** | **336** | **427** |

Adjusted results are non-GAAP financial measures. Refer to “Information and developments – Adjusted results” and “Reconciliation of adjusted results” in Credit Suisse for further information.

## PRIVATE BANKING

### Results – Private Banking

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **828** | **953** | **899** | (13) | (8) |
| **Provision for credit losses** | **9** | **14** | **12** | (36) | (25) |
| Compensation and benefits | 308 | 364 | 313 | (15) | (2) |
| General and administrative expenses | 231 | 328 | 283 | (30) | (18) |
| Commission expenses | 45 | 49 | 48 | (8) | (6) |
| Restructuring expenses | 34 | 32 | – | 6 | – |
| Total other operating expenses | 310 | 409 | 331 | (24) | (6) |
| **Total operating expenses** | **618** | **773** | **644** | (20) | (4) |
| **Income before taxes** | **201** | **166** | **243** | 21 | (17) |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 74.6 | 81.1 | 71.6 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 459 | 465 | 406 | (1) | 13 |
| Recurring commissions and fees | 235 | 257 | 291 | (9) | (19) |
| Transaction-based revenues | 132 | 149 | 202 | (11) | (35) |
| Other revenues | 2 | 82 | 0 | (98) | – |
| **Net revenues** | **828** | **953** | **899** | (13) | (8) |
| **Margins on assets under management (annualized) (bp)** | | | | | |
| Gross margin [1] | 139 | 157 | 142 | – | – |
| Net margin [2] | 34 | 27 | 38 | – | – |
| **Number of relationship managers** | | | | | |
| Number of relationship managers | 1,560 | 1,570 | 1,600 | (1) | (3) |

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

## RESULTS

Income before taxes was CHF 201 million, a decrease of 17% compared to 1Q15, primarily reflecting lower net revenues, partially offset by slightly lower total operating expenses. Compared to 4Q15, income before taxes increased 21% reflecting lower total operating expenses, partially offset by lower net revenues. Adjusted income before taxes of CHF 235 million decreased slightly compared to 1Q15 and increased 67% compared to 4Q15.

### Net revenues

Compared to 1Q15, net revenues of CHF 828 million decreased 8%, mainly driven by lower transaction-based revenues and lower recurring commissions and fees, partially offset by higher net interest income. Transaction-based revenues of CHF 132 million decreased 35% with significantly lower brokerage and product issuing fees, significantly lower fees from foreign exchange client business and lower sales and trading revenues reflecting lower client activity compared with the increased client activity following the Swiss National Bank (SNB) actions in January 2015. Recurring commissions and fees were CHF 235 million, a decrease of 19%, primarily reflecting the CHF 56 million impact from the deconsolidation of the cards issuing business and the impact of lower average assets under management due to unfavorable market movements. Net interest income of CHF 459 million, 13% higher compared to 1Q15, was driven by improved loan margins on slightly higher average loan volumes, partially offset by significantly lower deposit margins on slightly higher average deposit volumes.

Compared to 4Q15, net revenues decreased 13%, primarily reflecting the gains on sale of real estate of CHF 72 million and the partial sale of an investment in Euroclear of CHF 10 million recorded in other revenues in 4Q15. Recurring commissions and fees decreased 9% with lower investment product management fees, lower security account and custody services fees and lower revenues from wealth structuring solutions, partially offset by higher banking services fees. Transaction-based revenues decreased 11% as an extraordinary dividend from SIX Group of CHF 24 million in 4Q15 was partially offset by higher sales and trading revenues, higher fees from foreign exchange client business and higher brokerage and product issuing fees. Net interest income decreased CHF 6 million with lower deposit margins and stable loan margins on stable average deposit and loan volumes. Adjusted net revenues decreased 5% compared to 4Q15.

### Provision for credit losses

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

In 1Q16, Private Banking recorded provision for credit losses of CHF 9 million compared to CHF 12 million in 1Q15 and CHF 14 million in 4Q15. The decrease was primarily related to our consumer finance business.

**Total operating expenses**

Compared to 1Q15, total operating expenses of CHF 618 million decreased 4%, mainly driven by lower general and administrative expenses, partially offset by restructuring expenses of CHF 34 million. General and administrative expenses of CHF 231 million decreased 18% primarily reflecting the impact of CHF 61 million from the deconsolidation of the cards issuing business. Compensation and benefits of CHF 308 million decreased slightly, reflecting lower pension expenses, partially offset by higher salary expenses due to higher headcount. Adjusted total operating expenses decreased 9% compared to 1Q15.

Compared to 4Q15, total operating expenses decreased 20% primarily reflecting lower general and administrative expenses and lower compensation and benefits. General and administrative expenses were 30% lower due to decreases in litigation provisions, professional services fees, and advertising and marketing costs. Compensation and benefits decreased 15% reflecting lower salary expenses due to a recalibration of Swiss holiday accruals in 4Q15 and lower pension expenses. Adjusted total operating expenses decreased 18% compared to 4Q15.

## MARGINS

**Gross margin**

Our gross margin was 139 basis points in 1Q16, three basis points lower compared to 1Q15, mainly driven by lower transaction-based revenues and lower recurring commissions and fees, reflecting the impact of the deconsolidation of the cards issuing business, partially offset by higher net interest income and a 6.0% decrease in average assets under management, including a reclassification in 3Q15 of CHF 15.8 billion of assets under management to assets under custody within client assets due to the introduction of an updated assets under management policy in 2015. Compared to 4Q15, our gross margin was down 18 basis points, mainly reflecting larger gains from the sale of real estate and the partial sale of an investment in Euroclear in 4Q15, lower recurring commissions and fees and lower transaction-based revenues, partially offset by a 1.9% decrease in average assets under management.

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

**Net margin**

Our net margin was 34 basis points in 1Q16, four basis points lower compared to 1Q15, reflecting lower transaction-based revenues and lower recurring commissions and fees, partially offset by higher net interest income, lower total operating expenses and the 6.0% decrease in average assets under management. Compared to 4Q15, our net margin was up seven basis points, mainly due to lower total operating expenses, partially offset by larger gains from the sale of real estate and the partial sale of an investment in Euroclear in 4Q15, lower recurring commissions and fees and lower transaction-based revenues. On the basis of adjusted income before taxes, our net margin was 39 basis points in 1Q16, one basis point higher compared to 1Q15 and 16 basis points higher compared to 4Q15.

## ASSETS UNDER MANAGEMENT

As of the end of 1Q16, assets under management of CHF 236.1 billion were CHF 4.9 billion lower compared to the end of 4Q15, driven by unfavorable market and foreign exchange-related movements, partially offset by net new assets of CHF 0.7 billion.

## Assets under management – Private Banking

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Assets under management (CHF billion)** | | | | | |
| Assets under management | 236.1 | 241.0 | 256.5 | (2.0) | (8.0) |
| Average assets under management | 238.1 | 242.8 | 253.2 | (1.9) | (6.0) |
| **Assets under management by currency (CHF billion)** | | | | | |
| USD | 39.7 | 40.8 | 42.3 | (2.7) | (6.1) |
| EUR | 35.9 | 35.8 | 32.5 | 0.3 | 10.5 |
| CHF | 149.7 | 153.0 | 165.3 | (2.2) | (9.4) |
| Other | 10.8 | 11.4 | 16.4 | (5.3) | (34.1) |
| **Assets under management** | **236.1** | **241.0** | **256.5** | (2.0) | (8.0) |
| **Growth in assets under management (CHF billion)** | | | | | |
| Net new assets | 0.7 | (2.9) | 1.5 | – | – |
| Other effects | (5.6) | 6.8 | (3.6) | – | – |
| of which market movements | (4.6) | 4.9 | 6.0 | – | – |
| of which foreign exchange | (1.3) | 0.3 | (7.2) | – | – |
| of which other | 0.3 | 1.6 | (2.4) | – | – |
| **Growth in assets under management** | **(4.9)** | **3.9** | **(2.1)** | – | – |
| **Growth in assets under management (annualized) (%)** | | | | | |
| Net new assets | 1.1 | (4.9) | 2.3 | – | – |
| Other effects | (9.2) | 11.5 | (5.5) | – | – |
| **Growth in assets under management (annualized)** | **(8.1)** | **6.6** | **(3.2)** | – | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | |
| Net new assets | 0.9 | 1.2 | 0.6 | – | – |
| Other effects | (8.9) | (8.0) | 0.8 | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **(8.0)** | **(6.8)** | **1.4** | – | – |

# CORPORATE & INSTITUTIONAL BANKING

## RESULTS

Income before taxes of CHF 225 million increased 22% compared to 1Q15, primarily reflecting higher net revenues and lower provision for credit losses, partially offset by higher total operating expenses. Compared to 4Q15, income before taxes was 12% higher, reflecting lower provision for credit losses and lower total operating expenses, partially offset by lower net revenues. Adjusted income before taxes of CHF 231 million increased 26% compared to 1Q15 and 18% compared to 4Q15.

### Net revenues

Compared to 1Q15, net revenues of CHF 488 million increased 9%, mainly driven by higher net interest income. In 1Q16, we reported net interest income of CHF 276 million, an increase of 35%, reflecting improved loan margins on slightly lower average loan volumes and higher deposit margins on lower average deposit volumes. Transaction-based revenues of CHF 113 million decreased 11% with lower fees from foreign exchange client business and lower sales and trading revenues reflecting lower client activity compared with the increased client activity following the SNB actions in January 2015. Recurring commissions and fees were CHF 109 million, a decrease of 10%, primarily reflecting lower discretionary mandate management fees, revenues from wealth structuring solutions and security account and custody services fees, partially offset by higher investment product management fees. Other revenues decreased CHF 5 million due to a higher fair value loss on the Clock Finance transaction in 1Q16.

Compared to 4Q15, net revenues decreased 6%, primarily reflecting lower net interest income and lower other revenues reflecting the fair value loss on the Clock Finance transaction in 1Q16. Recurring commissions and fees were 6% lower reflecting lower investment advisory fees and lower security account and custody services fees, partially offset by higher fees from lending activities and higher investment product management fees.

## Results – Corporate & Institutional Banking

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **488** | **517** | **448** | (6) | 9 |
| **Provision for credit losses** | **(3)** | **29** | **11** | – | – |
| Compensation and benefits | 152 | 160 | 153 | (5) | (1) |
| General and administrative expenses | 85 | 99 | 79 | (14) | 8 |
| Commission expenses | 23 | 21 | 21 | 10 | 10 |
| Restructuring expenses | 6 | 7 | – | (14) | – |
| Total other operating expenses | 114 | 127 | 100 | (10) | 14 |
| **Total operating expenses** | **266** | **287** | **253** | (7) | 5 |
| **Income before taxes** | **225** | **201** | **184** | 12 | 22 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 54.5 | 55.5 | 56.5 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 276 | 288 | 205 | (4) | 35 |
| Recurring commissions and fees | 109 | 116 | 121 | (6) | (10) |
| Transaction-based revenues | 113 | 113 | 127 | 0 | (11) |
| Other revenues | (10) | 0 | (5) | – | 100 |
| **Net revenues** | **488** | **517** | **448** | (6) | 9 |
| **Number of relationship managers** | | | | | |
| Number of relationship managers | 480 | 490 | 480 | (2) | 0 |

### Provision for credit losses

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

In 1Q16, Corporate & Institutional Banking recorded a release of provision for credit losses of CHF 3 million compared to provision for credit losses of CHF 11 million in 1Q15 and CHF 29 million in 4Q15.

### Total operating expenses

Compared to 1Q15, total operating expenses of CHF 266 million increased 5% primarily reflecting restructuring expenses of CHF 6 million and higher general and administrative expenses. General and administrative expenses increased 8% to CHF 85 million mainly due to higher professional services fees and higher litigation provisions. Compensation and benefits of CHF 152 million were stable, reflecting higher deferred compensation expenses from prior-year awards, offset by lower discretionary compensation expenses. Adjusted total operating expenses increased slightly compared to 1Q15.

Compared to 4Q15, total operating expenses were 7% lower mainly driven by a 14% decrease in general and administrative expenses primarily reflecting lower occupancy expenses and lower professional services fees. Compensation and benefits decreased 5% reflecting lower salary expenses due to the holiday accrual recalibration in 4Q15, partially offset by higher discretionary compensation expenses and higher deferred compensation expenses from prior-year awards.

### ASSETS UNDER MANAGEMENT

As of the end of 1Q16, assets under management of CHF 273.6 billion were CHF 2.2 billion lower compared to the end of 4Q15, driven by unfavorable market and foreign exchange-related movements, partially offset by net new assets of CHF 2.3 billion.

# International Wealth Management

In 1Q16, we reported income before taxes of CHF 270 million and net revenues of CHF 1,108 million. Income before taxes was slightly higher compared to 1Q15 and significantly higher compared to 4Q15.

## RESULTS SUMMARY

### 1Q16 results

In 1Q16, we reported income before taxes of CHF 270 million and net revenues of CHF 1,108 million. Net revenues increased 4% compared to 1Q15, reflecting significantly higher net interest income, partially offset by lower transaction- and performance-based revenues. 1Q16 net revenues included a residual gain in a private equity interest in Asset Management. Total operating expenses were 4% higher compared to 1Q15, mainly driven by higher general and administrative expenses, partially offset by lower compensation and benefits.

Compared to 4Q15, net revenues decreased slightly, mainly driven by annual performance fees, an extraordinary dividend from SIX Group and a gain related to the partial sale of an investment in Euroclear, all in 4Q15, partially offset by higher net interest income in 1Q16. Total operating expenses decreased 28% compared to 4Q15, primarily reflecting significantly lower litigation provisions, lower restructuring expenses in connection with the implementation of the new strategy and lower salary expenses due to the holiday accrual recalibration in 4Q15.

Adjusted income before taxes of CHF 279 million increased 10% compared to 1Q15 and 21% compared to 4Q15.

### Capital and leverage metrics

As of the end of 1Q16, we reported risk-weighted assets of CHF 32.0 billion, a decrease of CHF 0.5 billion compared to the end of 4Q15. The decline was mainly driven by a decrease in operational risk and the foreign exchange impact, partially offset by methodology changes. Leverage exposure was CHF 84.9 billion, reflecting a decrease of 14% compared to the end of 4Q15 mainly due to a change in the regulatory scope of consolidation.

## Divisional results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **1,108** | **1,146** | **1,069** | (3) | 4 |
| **Provision for credit losses** | **(2)** | **(8)** | **1** | (75) | – |
| Compensation and benefits | 485 | 528 | 511 | (8) | (5) |
| General and administrative expenses | 290 | 556 | 235 | (48) | 23 |
| Commission expenses | 56 | 57 | 59 | (2) | (5) |
| Restructuring expenses | 9 | 33 | – | (73) | – |
| Total other operating expenses | 355 | 646 | 294 | (45) | 21 |
| **Total operating expenses** | **840** | **1,174** | **805** | (28) | 4 |
| **Income/(loss) before taxes** | **270** | **(20)** | **263** | – | 3 |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | 23.4 | – | 23.7 | – | – |
| Cost/income ratio | 75.8 | 102.4 | 75.3 | – | – |
| **Economic risk capital and return** | | | | | |
| Average economic risk capital (CHF million) | 4,396 | 4,097 | 4,206 | 7 | 5 |
| Pre-tax return on average economic risk capital (%) [1] | 25.1 | (1.3) | 25.7 | – | – |
| **Number of employees and relationship managers** | | | | | |
| Number of employees (full-time equivalents) | 9,220 | 9,130 | 8,700 | 1 | 6 |
| Number of relationship managers | 1,150 | 1,190 | 1,220 | (3) | (6) |

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

## Divisional results (continued)

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Net revenue detail (CHF million)** | | | | | |
| Private Banking | 786 | 782 | 748 | 1 | 5 |
| Asset Management | 322 | 364 | 321 | (12) | 0 |
| **Net revenues** | **1,108** | **1,146** | **1,069** | (3) | 4 |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 301 | 275 | 220 | 9 | 37 |
| Recurring commissions and fees | 477 | 494 | 478 | (3) | 0 |
| Transaction- and performance-based revenues | 350 | 372 | 365 | (6) | (4) |
| Other revenues | (20) | 5 | 6 | – | – |
| **Net revenues** | **1,108** | **1,146** | **1,069** | (3) | 4 |
| **Provision for credit losses (CHF million)** | | | | | |
| New provisions | 2 | 16 | 5 | (88) | (60) |
| Releases of provisions | (4) | (24) | (4) | (83) | 0 |
| **Provision for credit losses** | **(2)** | **(8)** | **1** | (75) | – |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 81,097 | 94,033 | 95,021 | (14) | (15) |
| Net loans | 38,912 | 38,912 | 37,115 | 0 | 5 |
| Risk-weighted assets | 31,950 | 32,407 | 30,615 | (1) | 4 |
| Leverage exposure | 84,909 | 99,112 | 92,693 | (14) | (8) |

## Reconciliation of adjusted results

| | Private Banking | | | Asset Management | | | **International Wealth Management** | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **1Q16** | 4Q15 | 1Q15 | **1Q16** | 4Q15 | 1Q15 | **1Q16** | 4Q15 | 1Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **786** | **782** | **748** | **322** | **364** | **321** | **1,108** | **1,146** | **1,069** |
| Gains on business sales | 0 | (11) | 0 | 0 | 0 | 0 | 0 | (11) | 0 |
| **Adjusted net revenues** | **786** | **771** | **748** | **322** | **364** | **321** | **1,108** | **1,135** | **1,069** |
| **Provision for credit losses** | **(2)** | **(8)** | **1** | **–** | **–** | **–** | **(2)** | **(8)** | **1** |
| **Total operating expenses** | **586** | **846** | **530** | **254** | **328** | **275** | **840** | **1,174** | **805** |
| Restructuring expenses | (10) | (30) | – | 1 | (3) | – | (9) | (33) | – |
| Major litigation provisions | 0 | (228) | 10 | 0 | 0 | 0 | 0 | (228) | 10 |
| **Adjusted total operating expenses** | **576** | **588** | **540** | **255** | **325** | **275** | **831** | **913** | **815** |
| **Income/(loss) before taxes** | **202** | **(56)** | **217** | **68** | **36** | **46** | **270** | **(20)** | **263** |
| Total adjustments | 10 | 247 | (10) | (1) | 3 | 0 | 9 | 250 | (10) |
| **Adjusted income before taxes** | **212** | **191** | **207** | **67** | **39** | **46** | **279** | **230** | **253** |

Adjusted results are non-GAAP financial measures. Refer to “Information and developments – Adjusted results” and “Reconciliation of adjusted results” in Credit Suisse for further information.

## PRIVATE BANKING

### RESULTS

Income before taxes of CHF 202 million decreased 7% compared to 1Q15, primarily reflecting higher total operating expenses, partially offset by higher net revenues. Compared to 4Q15, income before taxes increased significantly mainly due to significantly lower litigation provisions. Adjusted income before taxes of CHF 212 million was slightly higher compared to 1Q15 and increased 11% compared to 4Q15.

#### Net revenues

Compared to 1Q15, net revenues of CHF 786 million increased 5%, primarily driven by higher net interest income. Net interest income of CHF 301 million increased 37%, reflecting slightly higher loan margins and significantly higher deposit margins on higher average loan and deposit volumes. Transaction- and performance-based revenues were CHF 211 million, a decrease of 12%, mainly driven by lower brokerage and product issuing fees and lower fees from foreign exchange client business, partially offset by higher sales and trading revenues and increased revenues from structured products solutions for UHNWI clients. 1Q15 included

higher client activity due to the SNB actions in January 2015. Recurring commissions and fees of CHF 276 million decreased 4%, driven by lower security account and custody services fees, lower investment product management fees, a decline in banking services fees and included the impact of lower average assets under management, partially offset by higher investment advisory fees.

Compared to 4Q15, net revenues were stable, primarily reflecting higher net interest income, mostly offset by lower other revenues and lower recurring commissions and fees. Net interest income increased 9% due to higher deposit margins on stable average deposit volumes, partially offset by slightly lower loan margins on stable average loan volumes. Other revenues decreased CHF 12 million reflecting a gain of CHF 11 million related to the partial sale of our investment in Euroclear in 4Q15. The slight decrease in recurring commissions and fees reflected lower security account and custody services fees and slightly lower investment product management fees, partially offset by an increase in discretionary mandate management fees. Transaction- and performance-based revenues were stable, reflecting higher sales and trading revenues in 1Q16 and the extraordinary dividend from SIX Group in 4Q15.

## Results – Private Banking

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **786** | **782** | **748** | 1 | 5 |
| **Provision for credit losses** | **(2)** | **(8)** | **1** | (75) | – |
| Compensation and benefits | 333 | 331 | 336 | 1 | (1) |
| General and administrative expenses | 206 | 445 | 151 | (54) | 36 |
| Commission expenses | 37 | 40 | 43 | (8) | (14) |
| Restructuring expenses | 10 | 30 | – | (67) | – |
| Total other operating expenses | 253 | 515 | 194 | (51) | 30 |
| **Total operating expenses** | **586** | **846** | **530** | (31) | 11 |
| **Income/(loss) before taxes** | **202** | **(56)** | **217** | – | (7) |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 74.6 | 108.2 | 70.9 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 301 | 275 | 220 | 9 | 37 |
| Recurring commissions and fees | 276 | 283 | 287 | (2) | (4) |
| Transaction- and performance-based revenues | 211 | 214 | 241 | (1) | (12) |
| Other revenues | (2) | 10 | 0 | – | – |
| **Net revenues** | **786** | **782** | **748** | 1 | 5 |
| **Margins on assets under management (annualized) (bp)** | | | | | |
| Gross margin [1] | 109 | 106 | 97 | – | – |
| Net margin [2] | 28 | (8) | 28 | – | – |
| **Number of relationship managers** | | | | | |
| Number of relationship managers | 1,150 | 1,190 | 1,220 | (3) | (6) |

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

[1] Net revenues divided by average assets under management.

[2] Income before taxes divided by average assets under management.

### Total operating expenses

Compared to 1Q15, total operating expenses of CHF 586 million increased 11%, primarily reflecting higher general and administrative expenses and restructuring expenses of CHF 10 million in 1Q16. General and administrative expenses of CHF 206 million increased 36%, mainly reflecting increased expenses relating to our risk, regulatory and compliance infrastructure and higher litigation provisions, including a release of CHF 10 million in 1Q15. Compensation and benefits of CHF 333 million were stable with lower discretionary compensation expenses, offset by higher salary expenses. Adjusted total operating expenses increased 7% compared to 1Q15.

Compared to 4Q15, total operating expenses were 31% lower primarily reflecting significantly lower general and administrative expenses and restructuring expenses. General and administrative expenses decreased, mainly driven by significantly lower litigation provisions and lower professional services fees. Compensation and benefits were stable with higher discretionary compensation

expenses and higher deferred compensation expenses from prior-year awards, offset by lower salary expenses due to the holiday accrual recalibration in 4Q15. Adjusted total operating expenses were slightly lower compared to 4Q15.

## MARGINS

### Gross margin

Our gross margin was 109 basis points in 1Q16, twelve basis points higher compared to 1Q15, mainly reflecting higher net interest income and a 6.6% decrease in average assets under management, including a reclassification in 3Q15 of CHF 11.1 billion of assets under management to assets under custody within client assets due to the introduction of the updated assets under management policy in 2015, partially offset by lower transaction- and performance-based revenues and lower recurring commissions and fees. Compared to 4Q15, our gross margin was up three basis points, mainly reflecting higher net interest income and a 2.6% decrease in average assets under management, partially offset by lower other revenues and lower recurring commissions and fees.

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

### Net margin

Our net margin was 28 basis points in 1Q16, stable compared to 1Q15, reflecting higher total operating expenses, lower transaction- and performance-based revenues and lower recurring commissions and fees, partially offset by higher net interest income and the 6.6% decrease in average assets under management. The significant improvement in our net margin compared to 4Q15 mainly reflected significantly lower litigation provisions, higher net interest income and lower restructuring expenses. On the basis of adjusted income before taxes, our net margin was 30 basis points in 1Q16, three basis points higher compared to 1Q15 and four basis points higher compared to 4Q15.

## ASSETS UNDER MANAGEMENT

As of the end of 1Q16, assets under management of CHF 287.0 billion were CHF 2.6 billion lower compared to the end of 4Q15, reflecting unfavorable market and foreign exchange-related movements, partially offset by net new assets of CHF 5.4 billion. The net new assets reflected solid inflows from emerging markets and Europe.

### Assets under management – Private Banking

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Assets under management (CHF billion)** | | | | | |
| Assets under management | 287.0 | 289.6 | 310.4 | (0.9) | (7.5) |
| Average assets under management | 287.2 | 294.8 | 307.5 | (2.6) | (6.6) |
| **Assets under management by currency (CHF billion)** | | | | | |
| USD | 130.9 | 137.6 | 146.6 | (4.9) | (10.7) |
| EUR | 86.0 | 92.7 | 95.8 | (7.2) | (10.2) |
| CHF | 21.7 | 22.4 | 22.8 | (3.1) | (4.8) |
| Other | 48.4 | 36.9 | 45.2 | 31.2 | 7.1 |
| **Assets under management** | **287.0** | **289.6** | **310.4** | (0.9) | (7.5) |
| **Growth in assets under management (CHF billion)** | | | | | |
| Net new assets | 5.4 | (4.2) | (0.7) | – | – |
| Other effects | (8.0) | 7.3 | (12.6) | – | – |
| of which market movements | (6.3) | 6.7 | 8.7 | – | – |
| of which currency | (2.0) | 1.2 | (20.8) | – | – |
| of which other | 0.3 | (0.6) | (0.5) | – | – |
| **Growth in assets under management** | **(2.6)** | **3.1** | **(13.3)** | – | – |
| **Growth in assets under management (annualized) (%)** | | | | | |
| Net new assets | 7.5 | (5.9) | (0.9) | – | – |
| Other effects | (11.1) | 10.2 | (15.5) | – | – |
| **Growth in assets under management (annualized)** | **(3.6)** | **4.3** | **(16.4)** | – | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | |
| Net new assets | 1.0 | (0.9) | 1.6 | – | – |
| Other effects | (8.5) | (9.6) | 2.5 | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **(7.5)** | **(10.5)** | **4.1** | – | – |

## ASSET MANAGEMENT

### Results – Asset Management

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **322** | **364** | **321** | (12) | 0 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – |
| Compensation and benefits | 152 | 197 | 175 | (23) | (13) |
| General and administrative expenses | 84 | 111 | 84 | (24) | 0 |
| Commission expenses | 19 | 17 | 16 | 12 | 19 |
| Restructuring expenses | (1) | 3 | – | – | – |
| Total other operating expenses | 102 | 131 | 100 | (22) | 2 |
| **Total operating expenses** | **254** | **328** | **275** | (23) | (8) |
| **Income before taxes** | **68** | **36** | **46** | 89 | 48 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 78.9 | 90.1 | 85.7 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Management fees | 225 | 224 | 207 | 0 | 9 |
| Performance and placement revenues | 19 | 56 | 35 | (66) | (46) |
| Investment and partnership income | 78 | 84 | 79 | (7) | (1) |
| **Net revenues** | **322** | **364** | **321** | (12) | 0 |
| of which recurring commissions and fees | 201 | 211 | 191 | (5) | 5 |
| of which transaction- and performance-based revenues | 139 | 158 | 124 | (12) | 12 |
| of which other revenues | (18) | (5) | 6 | 260 | – |

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

### RESULTS

Income before taxes of CHF 68 million increased 48% compared to 1Q15, primarily reflecting lower total operating expenses. Compared to 4Q15, income before taxes increased 89%, driven by lower total operating expenses, partially offset by lower net revenues.

#### Net revenues

Compared to 1Q15, net revenues of CHF 322 million were stable, reflecting higher management fees, offset by lower performance revenues. Management fees of CHF 225 million increased 9% due to higher average assets under management. Performance and placement revenues of CHF 19 million decreased 46%, primarily due to lower performance revenues reflecting more challenging market conditions in 1Q16. Investment and partnership income remained stable at CHF 78 million with a residual gain from a private equity interest offset by lower income from single-manager hedge funds and investment-related losses.

Compared to 4Q15, net revenues decreased 12%, mainly driven by lower performance and placement revenues, reflecting annual performance revenues from single manager hedge funds in 4Q15 and seasonally lower placement revenues in 1Q16. Investment and partnership income decreased 7% reflecting lower income from single-manager hedge funds and higher investment-related losses, partly offset by a residual gain from a private equity interest. Management fees remained stable.

#### Total operating expenses

Compared to 1Q15, total operating expenses of CHF 254 million decreased 8%, primarily reflecting lower compensation and benefits. Compensation and benefits of CHF 152 million were 13% lower, mainly due to lower deferred compensation expenses from prior-year awards. General and administrative expenses of CHF 84 million were stable.

Compared to 4Q15, total operating expenses decreased 23%, reflecting lower compensation and benefits, lower general and administrative expenses and lower restructuring expenses. Compensation and benefits decreased 23% reflecting lower discretionary compensation expenses and lower salary expenses due to the holiday accrual recalibration in 4Q15. General and administrative expenses decreased 24% with lower professional services fees and lower advertising and marketing costs, partially offset by higher litigation provisions.

## ASSETS UNDER MANAGEMENT

As of the end of 1Q16, assets under management of CHF 301.3 billion were CHF 20.0 billion lower compared to the end of 4Q15, reflecting structural effects mainly from an adjustment of assets under management reported for multi-asset class solutions, unfavorable market and foreign exchange-related movements, partially offset by net new assets of CHF 1.5 billion. Net new assets reflected inflows primarily from traditional products, including inflows in index solutions and the real estate sector.

### Assets under management – Asset Management

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Assets under management (CHF billion)** | | | | | |
| Traditional investments | 155.8 | 172.2 | 172.0 | (9.5) | (9.4) |
| Alternative investments | 109.1 | 110.4 | 107.0 | (1.2) | 2.0 |
| Investments and partnerships | 36.4 | 38.7 | 30.9 | (5.9) | 17.8 |
| **Assets under management** | **301.3** | **321.3** | **309.9** | (6.2) | (2.8) |
| Average assets under management | 315.7 | 321.5 | 300.4 | (1.8) | 5.1 |
| **Assets under management by currency (CHF billion)** | | | | | |
| USD | 80.1 | 88.1 | 88.3 | (9.1) | (9.3) |
| EUR | 39.5 | 42.1 | 40.3 | (6.2) | (2.0) |
| CHF | 140.4 | 148.9 | 147.6 | (5.7) | (4.9) |
| Other | 41.3 | 42.2 | 33.7 | (2.1) | 22.6 |
| **Assets under management** | **301.3** | **321.3** | **309.9** | (6.2) | (2.8) |
| **Growth in assets under management (CHF billion)** | | | | | |
| Net new assets [1] | 1.5 | 3.6 | 9.2 | – | – |
| Other effects | (21.5) | 3.1 | (4.5) | – | – |
| of which market movements | (5.6) | 5.1 | 5.0 | – | – |
| of which foreign exchange | (2.3) | 0.7 | (9.4) | – | – |
| of which other | (13.6) | (2.7) | (0.1) | – | – |
| **Growth in assets under management** | **(20.0)** | **6.7** | **4.7** | – | – |
| **Growth in assets under management (%)** | | | | | |
| Net new assets | 1.9 | 4.6 | 12.1 | – | – |
| Other effects | (26.8) | 3.9 | (5.9) | – | – |
| **Growth in assets under management** | **(24.9)** | **8.5** | **6.2** | – | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | |
| Net new assets | 6.1 | 8.7 | 3.1 | – | – |
| Other effects | (8.9) | (3.4) | 6.6 | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **(2.8)** | **5.3** | **9.7** | – | – |

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

# Asia Pacific

In 1Q16, we reported income before taxes of CHF 251 million and net revenues of CHF 894 million. Income before taxes decreased 46% compared to 1Q15 and was significantly higher compared to 4Q15 reflecting the goodwill impairment charge in 4Q15.

## RESULTS SUMMARY

### 1Q16 results

In 1Q16, we reported income before taxes of CHF 251 million and net revenues of CHF 894 million. Compared to 1Q15, net revenues decreased 18%, driven by lower equity sales and trading revenues reflecting a strong performance in 1Q15. Revenues from the UHNWI and HNWI client business in Private Banking were stable, mainly reflecting an increase in net interest income offset by a decrease in other revenues. Provision for credit losses reflected a net release of CHF 21 million, compared to a net release of CHF 3 million in 1Q15. Total operating expenses of CHF 664 million increased 6%, reflecting increased compensation and benefits driven by growth-related higher headcount, and higher general and administrative expenses.

Compared to 4Q15, net revenues increased 8%, mainly due to higher fixed income sales and trading revenues, primarily driven by strong performance in global macro products, and from the UHNWI and HNWI client business in Private Banking, mainly reflecting increased transaction-based revenues and recurring commissions and fees. These increases were partially offset by decreased equity sales and trading revenues as well as underwriting and advisory revenues in Investment Banking and lower net interest income in Private Banking. The net release of provision for credit losses of CHF 21 million in 1Q16 compared to a net provision of CHF 3 million in 4Q15. Total operating expenses decreased 54%, primarily reflecting the goodwill impairment charge in Investment Banking in 4Q15.

Adjusted income before taxes of CHF 252 million decreased 46% compared to 1Q15 and increased 70% compared to 4Q15.

### Capital and leverage metrics

At the end of 1Q16, we reported risk-weighted assets of CHF 27.9 billion, stable compared to the end of 4Q15. Leverage exposure was CHF 98.8 billion, stable compared to the end of 4Q15.

## Divisional results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **894** | **826** | **1,088** | 8 | (18) |
| **Provision for credit losses** | **(21)** | **3** | **(3)** | – | – |
| Compensation and benefits | 403 | 390 | 383 | 3 | 5 |
| General and administrative expenses | 190 | 225 | 170 | (16) | 12 |
| Commission expenses | 70 | 66 | 73 | 6 | (4) |
| Goodwill impairment | 0 | 756 | 0 | (100) | – |
| Restructuring expenses | 1 | 3 | – | (67) | – |
| Total other operating expenses | 261 | 1,050 | 243 | (75) | 7 |
| **Total operating expenses** | **664** | **1,440** | **626** | (54) | 6 |
| **Income/(loss) before taxes** | **251** | **(617)** | **465** | – | (46) |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | 20.4 | – | 29.4 | – | – |
| Cost/income ratio | 74.3 | 174.3 | 57.5 | – | – |
| **Economic risk capital and return** | | | | | |
| Average economic risk capital (CHF million) | 3,745 | 3,560 | 3,216 | 5 | 16 |
| Pre-tax return on average economic risk capital (%) [1] | 26.9 | (69.3) | 57.9 | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 6,840 | 6,670 | 6,030 | 3 | 13 |

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

## Divisional results (continued)

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Net revenues (CHF million)** | | | | | |
| Private Banking | 300 | 271 | 297 | 11 | 1 |
| Investment Banking | 594 | 555 | 791 | 7 | (25) |
| **Net revenues** | **894** | **826** | **1,088** | 8 | (18) |
| **Provision for credit losses (CHF million)** | | | | | |
| New provisions | 0 | 23 | 1 | (100) | (100) |
| Releases of provisions | (21) | (20) | (4) | 5 | 425 |
| **Provision for credit losses** | **(21)** | **3** | **(3)** | – | – |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 85,118 | 85,929 | 106,442 | (1) | (20) |
| Net loans | 35,395 | 35,829 | 33,074 | (1) | 7 |
| Risk-weighted assets | 27,920 | 27,624 | 27,949 | 1 | 0 |
| Leverage exposure | 98,772 | 98,698 | 115,305 | 0 | (14) |

## Reconciliation of adjusted results

| | Private Banking | | | Investment Banking | | | **Asia Pacific** | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **1Q16** | 4Q15 | 1Q15 | **1Q16** | 4Q15 | 1Q15 | **1Q16** | 4Q15 | 1Q15 |
| **Adjusted results (CHF million)** | | | | | | | | | |
| **Net revenues** | **300** | **271** | **297** | **594** | **555** | **791** | **894** | **826** | **1,088** |
| **Provision for credit losses** | **(17)** | **(5)** | **(1)** | **(4)** | **8** | **(2)** | **(21)** | **3** | **(3)** |
| **Total operating expenses** | **215** | **228** | **190** | **449** | **1,212** | **436** | **664** | **1,440** | **626** |
| Goodwill impairment | 0 | 0 | 0 | 0 | (756) | 0 | 0 | (756) | 0 |
| Restructuring expenses | 0 | (1) | – | (1) | (2) | – | (1) | (3) | – |
| Major litigation provisions | 0 | (6) | 0 | 0 | 0 | 0 | 0 | (6) | 0 |
| **Adjusted total operating expenses** | **215** | **221** | **190** | **448** | **454** | **436** | **663** | **675** | **626** |
| **Income/(loss) before taxes** | **102** | **48** | **108** | **149** | **(665)** | **357** | **251** | **(617)** | **465** |
| Total adjustments | 0 | 7 | 0 | 1 | 758 | 0 | 1 | 765 | 0 |
| **Adjusted income before taxes** | **102** | **55** | **108** | **150** | **93** | **357** | **252** | **148** | **465** |

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

# PRIVATE BANKING

## RESULTS

Income before taxes of CHF 102 million decreased 6% compared to 1Q15, primarily reflecting higher operating expenses, partially offset by a higher net release of provision for credit losses. Compared to 4Q15, income before taxes increased CHF 54 million, primarily reflecting higher net revenues, a net release of provision for credit losses and a decrease in operating expenses.

### Net revenues

Net revenues of CHF 300 million were stable compared to 1Q15, mainly reflecting an increase in net interest income, offset by a decrease in other revenues. Net interest income increased 21% to CHF 116 million reflecting higher loan and deposit margins on higher average volumes. The decrease of CHF 17 million in other revenues reflected a reversal of gains on credit hedges that were offset by a corresponding release of provision for credit losses. Recurring commissions and fees were stable at CHF 73 million, primarily reflecting higher discretionary mandate management fees, investment advisory fees, investment product management fees and wealth structuring solution fees, mainly offset by lower fees from lending activities. Transaction-based revenues were stable at CHF 128 million, reflecting lower brokerage and product issuing fees and lower fees from the foreign exchange client business, offset by higher corporate advisory fees arising from integrated solutions and a dividend from an equity participation.

Compared to 4Q15, net revenues increased 11%, mainly due to higher transaction-based revenues. Transaction-based revenues increased 52%, primarily reflecting higher brokerage and product issuing fees, higher fees from the foreign exchange client business and a dividend from an equity participation. Recurring commissions and fees increased 22%, primarily reflecting higher wealth structuring solution fees and banking services fees. Net interest income

decreased 11%, primarily reflecting lower loan margins on slightly lower average loan volumes, partially offset by higher deposit margins on stable average deposit volumes. The decrease of CHF 13 million in other revenues primarily reflected the reversal of gains on credit hedges in 1Q16 that were offset by a corresponding release of provision for credit losses.

## Results – Private Banking

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **300** | **271** | **297** | 11 | 1 |
| **Provision for credit losses** | **(17)** | **(5)** | **(1)** | 240 | – |
| Compensation and benefits | 147 | 139 | 125 | 6 | 18 |
| General and administrative expenses | 57 | 78 | 52 | (27) | 10 |
| Commission expenses | 11 | 10 | 13 | 10 | (15) |
| Restructuring expenses | 0 | 1 | – | (100) | – |
| Total other operating expenses | 68 | 89 | 65 | (24) | 5 |
| **Total operating expenses** | **215** | **228** | **190** | (6) | 13 |
| **Income before taxes** | **102** | **48** | **108** | 113 | (6) |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 71.7 | 84.1 | 64.0 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 116 | 131 | 96 | (11) | 21 |
| Recurring commissions and fees | 73 | 60 | 72 | 22 | 1 |
| Transaction-based revenues | 128 | 84 | 129 | 52 | (1) |
| Other revenues | (17) | (4) | 0 | 325 | – |
| **Net revenues** | **300** | **271** | **297** | 11 | 1 |
| **Margins on assets under management (annualized) (bp)** | | | | | |
| Gross margin [1] | 81 | 72 | 81 | – | – |
| Net margin [2] | 28 | 13 | 29 | – | – |
| **Number of relationship managers** | | | | | |
| Number of relationship managers | 630 | 590 | 530 | 7 | 19 |

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

### Provision for credit losses

The Private Banking loan portfolio is primarily comprised of lombard loans, mainly backed by listed securities.

In 1Q16, Private Banking recorded a net release of provision for credit losses of CHF 17 million, compared to a net release of CHF 1 million in 1Q15 and a net release of CHF 5 million in 4Q15. The net release of provision for credit losses in 1Q16 reflected a small number of individual cases and was offset by the reversal of gains from related credit hedges recorded in other revenues.

### Total operating expenses

Total operating expenses of CHF 215 million increased 13% compared to 1Q15, mainly reflecting higher compensation and benefits. Compensation and benefits increased 18% to CHF 147 million, primarily driven by higher salary expenses reflecting growth-related higher headcount. General and administrative expenses increased 10% to CHF 57 million, mainly due to higher occupancy expenses, higher consulting expenses and higher other administrative and infrastructure expenses.

Compared to 4Q15, total operating expenses decreased 6%, mainly reflecting lower general and administrative expenses. General and administrative expenses decreased 27%, mainly due to lower litigation provisions, lower marketing expenses and lower travel expenses. Compensation and benefits increased 6%, primarily driven by higher salary expenses, mainly reflecting growth-related higher headcount, and higher deferred compensation expenses from prior-year awards. Adjusted for major litigation provisions and restructuring expenses in 4Q15, total operating expenses decreased slightly.

## MARGINS

### Gross margin

Our gross margin was 81 basis points in 1Q16, unchanged from 1Q15, mainly reflecting higher net interest income, offset by lower other revenues. Compared to 4Q15, our gross margin was up nine basis points, mainly reflecting higher transaction-based revenues and higher recurring commissions and fees, partially offset by lower net interest income and lower other revenues.

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

### Net margin

Our net margin was 28 basis points in 1Q16, down one basis point compared to 1Q15, mainly reflecting higher operating expenses and lower other revenues, partially offset by higher net interest income and a release of provision for credit losses. Compared to 4Q15, our net margin was up 15 basis points, mainly reflecting higher transaction-based revenues, higher recurring commissions and fees, lower operating expenses and a release of provision for credit losses, partially offset by lower net interest income and lower other revenues.

### ASSETS UNDER MANAGEMENT

As of the end of 1Q16, assets under management of CHF 149.6 billion were stable compared to the end of 4Q15, reflecting unfavorable market and foreign exchange-related movements, offset by net new assets of CHF 4.3 billion. Net new assets reflected inflows primarily from the Greater China and South East Asia markets.

## Assets under management – Private Banking

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Assets under management (CHF billion)** | | | | | |
| Assets under management | 149.6 | 150.4 | 154.6 | (0.5) | (3.2) |
| Average assets under management | 148.2 | 151.3 | 147.0 | (2.0) | 0.8 |
| **Assets under management by currency (CHF billion)** | | | | | |
| USD | 67.4 | 66.5 | 58.7 | 1.4 | 14.8 |
| EUR | 4.7 | 4.7 | 5.4 | 0.0 | (13.0) |
| CHF | 1.9 | 2.3 | 2.0 | (17.4) | (5.0) |
| Other | 75.6 | 76.9 | 88.5 | (1.7) | (14.6) |
| **Assets under management** | **149.6** | **150.4** | **154.6** | (0.5) | (3.2) |
| **Growth in assets under management (CHF billion)** | | | | | |
| Net new assets | 4.3 | 3.0 | 4.5 | – | – |
| Other effects | (5.1) | 8.3 | (0.4) | – | – |
| of which market movements | (2.9) | 6.1 | 4.4 | – | – |
| of which foreign exchange | (2.3) | 2.1 | (4.7) | – | – |
| of which other | 0.1 | 0.1 | (0.1) | – | – |
| **Growth in assets under management** | **(0.8)** | **11.3** | **4.1** | – | – |
| **Growth in assets under management (annualized) (%)** | | | | | |
| Net new assets | 11.4 | 8.6 | 12.0 | – | – |
| Other effects | (13.5) | 23.9 | (1.1) | – | – |
| **Growth in assets under management (annualized)** | **(2.1)** | **32.5** | **10.9** | – | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | |
| Net new assets | 11.4 | 11.8 | 13.4 | – | – |
| Other effects | (14.6) | (11.9) | 8.3 | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **(3.2)** | **(0.1)** | **21.7** | – | – |

# INVESTMENT BANKING

### RESULTS

Income before taxes of CHF 149 million decreased 58% compared to 1Q15, mainly due to lower net revenues and higher operating expenses. Compared to 4Q15, income before taxes increased CHF 814 million, mainly due to lower operating expenses reflecting the goodwill impairment charge in 4Q15 and higher net revenues. Adjusted income before taxes of CHF 150 million decreased 58% compared to 1Q15 and increased 61% compared to 4Q15.

### Net revenues

Net revenues of CHF 594 million decreased 25% compared to 1Q15, mainly due to lower equity sales and trading revenues, partially offset by higher fixed income sales and trading revenues. Equity sales and trading revenues decreased 40% to CHF 294 million reflecting unfavorable trading conditions, primarily in derivatives and systematic market making. Fixed income sales and trading revenues increased slightly to CHF 256 million, primarily driven by global macro products reflecting increased client activity, partially offset by a reduction in emerging markets. Underwriting and advisory revenues were stable at CHF 71 million as market declines in initial public offerings (IPO) and related follow-on activities offset higher advisory fees from M&A transactions.

Compared to 4Q15, net revenues increased 7%, mainly due to higher fixed income sales and trading revenues, partially offset

by lower equity sales and trading revenues as well as lower underwriting and advisory revenues. Fixed income sales and trading revenues increased 84%, mainly due to global macro products, driven by increased client activity. Equity sales and trading revenues decreased 22%, primarily reflecting lower revenues from systematic market making and prime services due to unfavorable trading conditions, partially offset by high levels of client activity, primarily in derivatives. Underwriting and advisory revenues decreased 11%, primarily reflecting lower debt underwriting revenues, partially offset by higher advisory fees from M&A transactions.

## Results – Investment Banking

| | | | in / end of | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **594** | **555** | **791** | 7 | (25) |
| **Provision for credit losses** | **(4)** | **8** | **(2)** | – | 100 |
| Compensation and benefits | 256 | 251 | 258 | 2 | (1) |
| General and administrative expenses | 133 | 147 | 118 | (10) | 13 |
| Commission expenses | 59 | 56 | 60 | 5 | (2) |
| Goodwill impairment | 0 | 756 | – | (100) | – |
| Restructuring expenses | 1 | 2 | – | (50) | – |
| Total other operating expenses | 193 | 961 | 178 | (80) | 8 |
| **Total operating expenses** | **449** | **1,212** | **436** | (63) | 3 |
| **Income/(loss) before taxes** | **149** | **(665)** | **357** | – | (58) |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 75.6 | 218.4 | 55.1 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Fixed income sales and trading | 256 | 139 | 248 | 84 | 3 |
| Equity sales and trading | 294 | 379 | 488 | (22) | (40) |
| Underwriting and advisory | 71 | 80 | 72 | (11) | (1) |
| Other revenues | (27) | (43) | (17) | (37) | 59 |
| **Net revenues** | **594** | **555** | **791** | **7** | **(25)** |

### Provision for credit losses

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

In 1Q16, Investment Banking recorded a net release of provision for credit losses of CHF 4 million, compared to a net release of CHF 2 million in 1Q15 and a net provision of CHF 8 million in 4Q15.

### Total operating expenses

Total operating expenses of CHF 449 million increased slightly compared to 1Q15, mainly reflecting higher general and administrative expenses. General and administrative expenses increased 13% to CHF 133 million, mainly due to higher other administrative and infrastructure expenses, partially offset by lower litigation provisions and lower marketing expenses. Compensation and benefits decreased slightly to CHF 256 million, primarily driven by lower discretionary compensation, partially offset by higher salary expenses reflecting growth-related higher headcount.

Compared to 4Q15, total operating expenses decreased 63%, mainly reflecting the goodwill impairment charge of CHF 756 million in 4Q15. General and administrative expenses decreased 10%, mainly due to lower litigation provisions, lower consulting expenses, lower travel expenses and lower other administrative expenses. Compensation and benefits increased slightly, primarily driven by higher discretionary compensation and higher deferred compensation expenses from prior-year awards. Adjusted total operating expenses were stable compared to 4Q15.

# Global Markets

In 1Q16, Global Markets reported a loss before taxes of CHF 635 million and net revenues of CHF 973 million. Net revenues declined 60% compared to 1Q15, reflecting challenging trading conditions, low levels of client activity and decreased issuance activity.

## RESULTS SUMMARY

### 1Q16 results

In 1Q16, we reported a loss before taxes of CHF 635 million and net revenues of CHF 973 million. Net revenues declined 60% compared to 1Q15, primarily due to challenging market making conditions, the structural impact of a lower leverage exposure, continued mark-to-market losses and low levels of client and issuance activity. Fixed income sales and trading revenues of CHF 262 million decreased 82% compared to 1Q15 and 14% compared to 4Q15. Equity sales and trading revenues of CHF 563 million declined 29% compared to 1Q15 and 6% compared to 4Q15. Underwriting revenues of CHF 150 million declined significantly compared to 1Q15 and 4Q15, reflecting significantly lower industry-wide debt and equity underwriting activity. In light of the acceleration of our strategic initiatives, operating expenses include CHF 101 million in restructuring costs in 1Q16 and CHF 105 million in 4Q15.

Total operating expenses of CHF 1,540 million declined 2% compared to 1Q15, primarily due to lower compensation and benefits. Compared to 4Q15, total operating expenses decreased 67%, primarily reflecting the goodwill impairment charge in 4Q15. In 1Q16, we reported an adjusted loss before taxes of CHF 534 million compared to an adjusted income before taxes of CHF 842 million in 1Q15 and an adjusted loss before taxes of CHF 658 million in 4Q15.

## Divisional results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **973** | **1,127** | **2,416** | (14) | (60) |
| **Provision for credit losses** | **68** | **(1)** | **4** | – | – |
| Compensation and benefits | 732 | 968 | 910 | (24) | (20) |
| General and administrative expenses | 561 | 722 | 515 | (22) | 9 |
| Commission expenses | 146 | 146 | 145 | 0 | 1 |
| Goodwill impairment | 0 | 2,661 | 0 | (100) | – |
| Restructuring expenses | 101 | 105 | – | (4) | – |
| Total other operating expenses | 808 | 3,634 | 660 | (78) | 22 |
| **Total operating expenses** | **1,540** | **4,602** | **1,570** | (67) | (2) |
| **Income/(loss) before taxes** | **(635)** | **(3,474)** | **842** | (82) | – |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | – | – | 17.3 | – | – |
| Cost/income ratio | 158.3 | 408.3 | 65.0 | – | – |
| **Economic risk capital and return** | | | | | |
| Average economic risk capital (CHF million) | 12,742 | 13,525 | 13,024 | (6) | (2) |
| Pre-tax return on average economic risk capital (%) [1] | (19.6) | (102.0) | 26.5 | – | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | |
| Total assets | 272,520 | 262,201 | 329,522 | 4 | (17) |
| Risk-weighted assets | 70,044 | 73,706 | 71,248 | (5) | (2) |
| Risk-weighted assets (USD) | 73,142 | 74,514 | 73,353 | (2) | 0 |
| Leverage exposure | 327,588 | 313,315 | 394,409 | 5 | (17) |
| Leverage exposure (USD) | 342,075 | 316,752 | 406,063 | 8 | (16) |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 12,790 | 13,020 | 12,300 | (2) | 4 |

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

### Capital and leverage metrics

As of the end of 1Q16, we reported risk-weighted assets of USD 73.1 billion, slightly lower compared to the end of 4Q15. The movement reflected USD 8 billion in business exits across global credit products, emerging markets and securitized products which were mostly offset by a USD 4 billion increase in operational risk and a USD 3 billion increase due to reduced benefits from credit valuation adjustment (CVA) hedges. Leverage exposure was USD 342.1 billion, reflecting an increase of USD 25.3 billion compared to the end of 4Q15, due to increased high quality liquid assets (HQLA) and a seasonal increase in prime services business activity.

## Divisional results (continued)

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Net revenue detail (CHF million)** | | | | | |
| Fixed income sales and trading | 262 | 303 | 1,470 | (14) | (82) |
| Equity sales and trading | 563 | 602 | 795 | (6) | (29) |
| Underwriting | 150 | 281 | 184 | (47) | (18) |
| Other | (2) | (59) | (33) | (97) | (94) |
| **Net revenues** | **973** | **1,127** | **2,416** | (14) | (60) |

## Reconciliation of adjusted results

| | Global Markets | | |
|---|---|---|---|
| in | **1Q16** | 4Q15 | 1Q15 |
| **Adjusted results (CHF million)** | | | |
| **Net revenues** | **973** | **1,127** | **2,416** |
| **Provision for credit losses** | **68** | **(1)** | **4** |
| **Total operating expenses** | **1,540** | **4,602** | **1,570** |
| Goodwill impairment | 0 | (2,661) | 0 |
| Restructuring expenses | (101) | (105) | – |
| Major litigation provisions | 0 | (50) | 0 |
| **Adjusted total operating expenses** | **1,439** | **1,786** | **1,570** |
| **Income/(loss) before taxes** | **(635)** | **(3,474)** | **842** |
| Total adjustments | 101 | 2,816 | 0 |
| **Adjusted income/(loss) before taxes** | **(534)** | **(658)** | **842** |

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

## RESULTS

### Fixed income sales and trading

In 1Q16, fixed income sales and trading revenues of CHF 262 million declined 82% compared to 1Q15, primarily due to reduced client activity and low levels of activity related to widening credit spreads. The challenging operating conditions primarily impacted our yield businesses, particularly securitized products and global credit products, with continued mark-to-market losses on client inventory. Operating conditions stabilized in the second half of the quarter, driven by a recovery in oil prices and central bank actions, which led to a tightening of credit spreads from levels comparable to peak-2011, and investor inflows into US high yield funds. In addition, 1Q15 results reflected strong trading conditions and client activity benefitting from significant actions from the ECB and the SNB. Securitized products revenues decreased substantially, driven by lower volumes in agency and non-agency trading and mark-to-market losses in collateralized loan obligations (CLO) and non-agency and agency commercial mortgage-backed securities (CMBS) as we decreased risk in the portfolio by reducing inventory positions. We incurred negative net revenues in global credit products, reflecting lower trading activity primarily due to muted leveraged finance issuance activity and from mark-to-market losses on client inventory, particularly in our US distressed trading portfolio as we continued to reduce inventory and announced the sale of the majority of the portfolio at a small discount to the market. Emerging markets revenues declined, reflecting weak trading performance in Latin America and Europe, Middle East and Africa (EMEA). Corporate lending revenues were lower, primarily driven by mark-to-market losses related to lower oil prices. Global macro products results declined slightly as lower client activity in our European rates business offset strong performance in our US rates business.

Compared to 4Q15, fixed income sales and trading revenues decreased 14%, driven by lower performance in securitized products due to lower volumes in non-agency trading, reflecting difficult trading conditions and mark-to-market losses as we decreased risk in the portfolio by reducing inventory positions. Emerging markets revenues also declined, reflecting weak trading performance

in Latin America and lower financing activity. These declines were partially offset by a rebound in global credit products performance, reflecting improved leveraged finance trading activity, reduced mark-to-market losses in the US distressed trading portfolio and higher investment grade performance. In addition, global macro products revenues were higher, driven by increased client activity in our US rates business.

**Equity sales and trading**

In 1Q16, equity sales and trading revenues of CHF 563 million declined 29% compared to 1Q15, reflecting lower allocated capital, reduced risk appetite with lower client activity and investor outflows from equity funds. Compared to a strong 1Q15, systematic market making revenues declined significantly due to difficult trading conditions. Derivatives revenues declined due to lower performance in structured and corporate derivatives, partially offset by strong performance in Latin America and flow derivatives. We had resilient prime services revenues, albeit lower, as decreased prime brokerage revenues on significantly lower leverage exposure more than offset higher client clearing and trading activity. Cash equities revenues declined, reflecting lower trading volumes in Europe and weak performance in Latin America, which offset higher volumes and commissions in the US.

Compared to 4Q15, equity sales and trading revenues declined by 6%, primarily due to less favorable trading conditions, particularly in systematic market making. Prime services revenues were resilient, reflecting higher client clearing and trading activity. Derivatives revenues declined slightly, reflecting weak performance in fund linked products. These declines were partially offset by increased cash equities results, reflecting improved US trading volumes.

**Underwriting**

In 1Q16, underwriting revenues of CHF 150 million declined 18% compared to 1Q15, reflecting challenging market conditions and significantly lower debt and equity underwriting activity. Debt underwriting revenues declined, primarily due to lower leveraged finance activity in the US, partially offset by higher emerging markets and investment grade revenues. Equity underwriting results declined, reflecting substantially lower industry-wide IPO issuance activity.

Compared to 4Q15, underwriting revenues declined 47%, due to lower equity underwriting results, reflecting lower revenues from follow-on offerings compared to a strong performance in the prior period. Debt underwriting revenues also declined, primarily due to lower leveraged finance activity in the US.

**Provision for credit losses**

Provisions for credit losses of CHF 68 million increased significantly compared to 1Q15 and 4Q15 reflecting adverse developments on non-fair-valued loans in our corporate lending portfolio relating to the energy sector.

**Total operating expenses**

In 1Q16, total operating expenses of CHF 1,540 million declined 2% compared to 1Q15, due to reduced discretionary compensation expenses and lower deferred compensation expenses from prior-year awards reflecting a lower deferral rate, partially offset by restructuring expenses in 1Q16 and increased expenses relating to our risk, regulatory and compliance infrastructure. Adjusted total operating expenses decreased 8%.

Compared to 4Q15, total operating expenses declined 67%, reflecting the goodwill impairment charge in 4Q15 and a decrease in compensation and benefits and lower litigation provisions. The decrease in compensation and benefits was primarily driven by reduced discretionary compensation expenses and lower deferred compensation expenses from prior-year awards. General and administrative expenses decreased, primarily reflecting lower litigation provisions and lower cost related to our risk, regulatory and compliance infrastructure. Adjusted operating expenses declined 19%.

# Investment Banking & Capital Markets

In 1Q16, Investment Banking & Capital Markets reported a loss before taxes of CHF 103 million and net revenues of CHF 369 million. Net revenues declined 8% compared to both 1Q15 and 4Q15.

## RESULTS SUMMARY

### 1Q16 results

In 1Q16, we reported a loss before taxes of CHF 103 million and net revenues of CHF 369 million. Net revenues declined 8% compared to 1Q15, reflecting continued challenging market conditions characterized by volatility, macroeconomic uncertainty and low energy prices. Revenues from advisory and other fees of 226 million increased 97% compared to 1Q15, reflecting an increase in our share of wallet despite an industry-wide decline in the overall fee pool. Debt underwriting revenues of CHF 180 million decreased 16% due to lower leveraged finance revenues and mark-to-market losses related to our underwriting portfolio. Equity underwriting revenues of CHF 44 million declined 53%, driven by lower industry-wide IPO activity. Net revenues were also impacted by mark-to-market losses in our corporate lending portfolio relating to the energy sector and recognized in other revenues. Total operating expenses of CHF 419 million decreased 6% compared to 1Q15, primarily reflecting a decrease in compensation and benefits. Provision for credit losses of CHF 53 million in 1Q16 increased substantially.

Compared to 4Q15, net revenues decreased 8%, primarily due to lower equity underwriting revenues and higher mark-to–market losses in our corporate lending portfolio relating to the energy sector. Loss before taxes decreased 79%, primarily due to lower total operating expenses. Revenues from advisory and other fees decreased 10% due to a strong fourth quarter with respect to M&A transaction closings. Debt underwriting revenues increased 10% due to stronger leveraged finance revenues and reduced mark-to-market losses related to our underwriting portfolio. Compared to 4Q15, equity underwriting revenues were down 57%, driven by a decrease in IPO issuance activity. Total operating expenses decreased 53% compared to 4Q15, primarily reflecting the goodwill impairment charge in 4Q15. Adjusted total operating expenses decreased 21% compared to 4Q15.

## Divisional results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **369** | **403** | **400** | (8) | (8) |
| **Provision for credit losses** | **53** | **3** | **0** | – | – |
| Compensation and benefits | 285 | 368 | 342 | (23) | (17) |
| General and administrative expenses | 106 | 127 | 105 | (17) | 1 |
| Commission expenses | 1 | 0 | 0 | – | – |
| Goodwill impairment | 0 | 380 | 0 | (100) | – |
| Restructuring expenses | 27 | 22 | – | 23 | – |
| Total other operating expenses | 134 | 529 | 105 | (75) | 28 |
| **Total operating expenses** | **419** | **897** | **447** | (53) | (6) |
| **Loss before taxes** | **(103)** | **(497)** | **(47)** | (79) | 119 |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | – | – | – | – | – |
| Cost/income ratio | 113.6 | 222.6 | 111.8 | – | – |
| **Economic risk capital and return** | | | | | |
| Average economic risk capital (CHF million) | 4,391 | 4,606 | 4,232 | (5) | 4 |
| Pre-tax return on average economic risk capital (%) [1] | (9.4) | (43.2) | (4.4) | – | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | |
| Total assets | 18,341 | 19,800 | 14,674 | (7) | 25 |
| Risk-weighted assets | 15,878 | 17,824 | 14,665 | (11) | 8 |
| Risk-weighted assets (USD) | 16,580 | 18,020 | 15,098 | (8) | 10 |
| Leverage exposure | 38,530 | 42,861 | 35,151 | (10) | 10 |
| Leverage exposure (USD) | 40,234 | 43,331 | 36,190 | (7) | 11 |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 2,870 | 2,800 | 2,540 | 2 | 13 |

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

## Divisional results (continued)

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Net revenue detail (CHF million)** | | | | | |
| Advisory and other fees | 226 | 251 | 115 | (10) | 97 |
| Debt underwriting | 180 | 163 | 214 | 10 | (16) |
| Equity underwriting | 44 | 102 | 94 | (57) | (53) |
| Other | (81) | (113) | (23) | (28) | 252 |
| **Net revenues** | **369** | **403** | **400** | (8) | (8) |

## Reconciliation of adjusted results

| | Investment Banking & Capital Markets | | |
|---|---|---|---|
| in | **1Q16** | 4Q15 | 1Q15 |
| **Adjusted results (CHF million)** | | | |
| **Net revenues** | **369** | **403** | **400** |
| **Provision for credit losses** | **53** | **3** | **0** |
| **Total operating expenses** | **419** | **897** | **447** |
| Goodwill impairment | 0 | (380) | 0 |
| Restructuring expenses | (27) | (22) | – |
| **Adjusted total operating expenses** | **392** | **495** | **447** |
| **Loss before taxes** | **(103)** | **(497)** | **(47)** |
| Total adjustments | 27 | 402 | 0 |
| **Adjusted loss before taxes** | **(76)** | **(95)** | **(47)** |

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

### Capital and leverage metrics

As of the end of 1Q16, risk-weighted assets were USD 16.6 billion, a decrease of USD 1.4 billion compared to the end of 4Q15, as we decreased our exposure in the debt underwriting portfolio. Leverage exposure was USD 40.2 billion, reflecting a reduction of USD 3.1 billion compared to the end of 4Q15.

## RESULTS

### Advisory and other fees

In 1Q16, revenues from advisory and other fees of CHF 226 million increased 97% compared to 1Q15, reflecting an increase in our share of wallet despite an industry-wide decline in the overall fee pool. Share of wallet refers to our share of the overall fee pool for the respective products.

Compared to 4Q15, revenues from advisory and other fees decreased 10%, reflecting a strong fourth quarter with respect to M&A transaction closings.

### Debt underwriting

In 1Q16, debt underwriting revenues of CHF 180 million decreased 16% compared to 1Q15, primarily driven by lower leveraged finance activity. Leveraged finance revenues were lower on significantly reduced leveraged loan activity amid a continued market volatility.

Compared to 4Q15, debt underwriting revenues increased 10%, driven by stronger leveraged finance revenues and reduced mark-to-market losses on our underwriting portfolio.

### Equity underwriting

In 1Q16, revenues in equity underwriting of CHF 44 million decreased 53% compared to 1Q15, driven by a significant reduction in industry-wide IPO issuance activity.

Compared to 4Q15, revenues declined 57%, driven by lower revenues from follow-on offerings compared to a strong performance in the prior period.

### Provision for credit losses

Provision for credit losses of CHF 53 million in 1Q16 increased substantially compared to both 1Q15 and 4Q15, reflecting adverse developments on non-fair-valued loans in our corporate lending portfolio relating to the energy sector.

**Total operating expenses**

Compared to 1Q15, total operating expenses of CHF 419 million decreased 6%, primarily driven by a 17% decrease in compensation and benefits due to a decline in deferred compensation expense from prior year awards as a result of lower deferral rates. General and administrative expenses of CHF 106 million were stable compared to 1Q15. Adjusted total operating expenses decreased 12% when compared to 1Q15.

Compared to 4Q15, total operating expenses decreased 53%, primarily reflecting the CHF 380 million goodwill impairment charge in 4Q15. Compensation and benefits declined 23%, driven by a decline in deferred compensation expense from prior year awards and lower discretionary compensation expenses. General and administrative expenses declined 17%, reflecting lower costs across most general and administrative-related expense categories. Adjusted total operating expenses decreased 21% compared to 4Q15.

# Strategic Resolution Unit

In 1Q16, the Strategic Resolution Unit reported a loss before taxes of CHF 724 million and decreased its risk-weighted assets by 11% and its leverage exposure by 12%.

## RESULTS SUMMARY

### 1Q16 results

In 1Q16, we reported a loss before taxes of CHF 724 million compared to a loss before taxes of CHF 383 million in 1Q15 and a loss before taxes of CHF 1,122 million in 4Q15.

Net revenues were CHF (112) million in 1Q16, which included valuation adjustments in the legacy investment banking portfolio and legacy funding costs, offset by revenues from the restructuring of select onshore businesses. Total operating expenses were CHF 566 million in 1Q16, including CHF 283 million of general and administrative expenses and CHF 188 million of compensation and benefits.

### Capital and leverage metrics

In 1Q16, we reduced risk-weighted assets and leverage exposure reflecting various initiatives, including risk reductions, asset sales, loan reductions, trade restructurings, novations and clearing and compression. As of the end of 1Q16, we reported risk-weighted assets of CHF 54.6 billion, a decrease of CHF 8.3 billion and CHF 7.1 billion compared to the end of 1Q15 and 4Q15, respectively. Leverage exposure was CHF 122.2 billion as of the end of 1Q16, reflecting a decrease of CHF 60.1 billion and CHF 16.0 billion compared to the end of 1Q15 and 4Q15, respectively.

## Divisional results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **(112)** | **21** | **176** | – | – |
| of which from noncontrolling interests without significant economic interest | 17 | 20 | (26) | (15) | – |
| **Provision for credit losses** | **46** | **93** | **5** | (51) | – |
| Compensation and benefits | 188 | 237 | 256 | (21) | (27) |
| General and administrative expenses | 283 | 619 | 255 | (54) | 11 |
| of which litigation expenses | 33 | 292 | 34 | (89) | (3) |
| Commission expenses | 18 | 41 | 43 | (56) | (58) |
| Restructuring expenses | 77 | 153 | – | (50) | – |
| Total other operating expenses | 378 | 813 | 298 | (54) | 27 |
| **Total operating expenses** | **566** | **1,050** | **554** | (46) | 2 |
| of which from noncontrolling interests without significant economic interest | 18 | 5 | 1 | 260 | – |
| **Loss before taxes** | **(724)** | **(1,122)** | **(383)** | (35) | 89 |
| of which from noncontrolling interests without significant economic interest | (1) | 15 | (27) | – | (96) |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 74,061 | 77,664 | 97,747 | (5) | (24) |
| Risk-weighted assets | 54,562 | 61,638 | 62,847 | (11) | (13) |
| Leverage exposure | 122,213 | 138,219 | 182,337 | (12) | (33) |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 1,480 | 2,060 | 3,150 | (28) | (53) |

## Divisional results (continued)

| | | | in | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Net revenue detail (CHF million)** | | | | | |
| Restructuring of select onshore businesses | 119 | 176 | 189 | (32) | (37) |
| Legacy cross-border business and small markets | 58 | 69 | 77 | (16) | (25) |
| Restructuring of former Asset Management division | (37) | (63) | (43) | (41) | (14) |
| Legacy investment banking portfolio | (207) | (136) | 19 | 52 | – |
| Legacy funding costs | (72) | (67) | (62) | 7 | 16 |
| Other | 10 | 22 | 22 | (55) | (55) |
| Noncontrolling interests without significant economic interest | 17 | 20 | (26) | (15) | – |
| **Net revenues** | **(112)** | **21** | **176** | – | – |

## RESULTS

### Net revenues

Net revenues were CHF (112) million in 1Q16 compared to CHF 176 million in 1Q15 and CHF 21 million in 4Q15. The decreases were driven by valuation adjustments in the legacy investment banking portfolio and lower revenues from the restructuring of select onshore businesses, in particular the transfer of our US private banking business.

### Provision for credit losses

In 1Q16, provision for credit losses was CHF 46 million compared to CHF 5 million in 1Q15 and CHF 93 million in 4Q15. The increase as compared to 1Q15 was primarily related to legacy corporate loans. The decrease as compared to 4Q15 was primarily related to the restructuring of select onshore businesses.

### Total operating expenses

Total operating expenses of CHF 566 million increased slightly compared to 1Q15, primarily reflecting restructuring expenses, mostly offset by lower compensation and benefits. Compared to 4Q15, total operating expenses decreased 46%, reflecting lower general and administrative expenses, mainly due to lower litigation expenses, and lower restructuring expenses. Total operating expenses included costs of CHF 72 million to meet requirements related to the settlements with US authorities regarding US cross-border matters.

# Corporate Center

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

## RESULTS SUMMARY

In 1Q16, Corporate Center recorded income before taxes of CHF 31 million compared to losses before taxes of CHF 56 million in 1Q15 and CHF 1,078 million in 4Q15. We early adopted certain sections of ASU 2016-01 which require that changes in fair value relating to the instrument-specific credit risk of fair value option-elected financial liabilities be presented separately in accumulated other comprehensive income. Therefore, fair value gains or losses from movements in own credit spreads are no longer recorded in the Corporate Center beginning in 1Q16. Other revenues primarily reflected required elimination adjustments associated with trading in own shares. Compensation and benefits mainly reflect fair value adjustments on certain deferred compensation plans not allocated to the segments. General and administrative expenses primarily reflected costs associated with the evolution of our legal entity structure to meet developing and future regulatory requirements.

## Corporate Center results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| Treasury results | (17) | (115) | 13 | (85) | – |
| Fair value impact from movements in own credit spreads | 0 | (697) | 144 | 100 | (100) |
| Other | 107 | 29 | (6) | 269 | – |
| **Net revenues** | **90** | **(783)** | **151** | – | (40) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – |
| Compensation and benefits | (71) | 134 | 108 | – | – |
| General and administrative expenses | 102 | 132 | 96 | (23) | 6 |
| Commission expenses | 28 | 29 | 3 | (3) | – |
| Total other operating expenses | 130 | 161 | 99 | (19) | 31 |
| **Total operating expenses** | **59** | **295** | **207** | (80) | (71) |
| **Income/(loss) before taxes** | **31** | **(1,078)** | **(56)** | – | – |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 67,677 | 62,872 | 32,315 | 8 | 109 |
| Risk-weighted assets [1] | 16,568 | 16,878 | 15,898 | (2) | 4 |
| Leverage exposure [1] | 64,241 | 59,723 | 28,029 | 8 | 129 |
| **Expense allocation to divisions (CHF million)** | | | | | |
| Compensation and benefits | 643 | 861 | 768 | (25) | (16) |
| General and administrative expenses | 949 | 1,155 | 864 | (18) | 10 |
| Commission expenses | 28 | 29 | 3 | (3) | – |
| Restructuring expenses | 82 | 106 | – | (23) | – |
| Total other operating expenses | 1,059 | 1,290 | 867 | (18) | 22 |
| **Total operating expenses before allocation to divisions** | **1,702** | **2,151** | **1,635** | (21) | 4 |
| Net allocation to divisions | 1,643 | 1,856 | 1,428 | (11) | 15 |
| of which Swiss Universal Bank | 356 | 470 | 344 | (24) | 3 |
| of which International Wealth Management | 261 | 279 | 228 | (6) | 14 |
| of which Asia Pacific | 194 | 198 | 171 | (2) | 13 |
| of which Global Markets | 596 | 627 | 466 | (5) | 28 |
| of which Investment Banking & Capital Markets | 79 | 93 | 63 | (15) | 25 |
| of which Strategic Resolution Unit | 157 | 189 | 156 | (17) | 1 |
| **Total operating expenses** | **59** | **295** | **207** | (80) | (71) |

[1] Disclosed on a look-through basis.

# Assets under management

As of the end of 1Q16, assets under management were CHF 1,180.8 billion, down 2.7% compared to the end of 4Q15, primarily due to unfavorable market and foreign exchange-related movements, partially offset by net new assets of CHF 10.5 billion.

### Assets under management

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

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

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

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

### Net new assets

Net new assets include individual cash payments, delivery of securities and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management.

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

## Assets under management and client assets

| | | end of | % change |
|---|---|---|---|
| | **1Q16** | 4Q15 | QoQ |
| **Assets under management (CHF billion)** | | | |
| Swiss Universal Bank – Private Banking | 236.1 | 241.0 | (2.0) |
| Swiss Universal Bank – Corporate & Institutional Banking | 273.6 | 275.8 | (0.8) |
| International Wealth Management – Private Banking | 287.0 | 289.6 | (0.9) |
| International Wealth Management – Asset Management | 301.3 | 321.3 | (6.2) |
| Asia Pacific – Private Banking | 149.6 | 150.4 | (0.5) |
| Strategic Resolution Unit | 24.6 | 27.3 | (9.9) |
| Assets managed across businesses [1] | (91.4) | (91.3) | 0.1 |
| **Assets under management** | **1,180.8** | **1,214.1** | **(2.7)** |
| of which discretionary assets | 385.5 | 410.1 | (6.0) |
| of which advisory assets | 795.3 | 804.0 | (1.1) |
| **Client assets (CHF billion) [2]** | | | |
| Swiss Universal Bank – Private Banking | 259.5 | 266.2 | (2.5) |
| Swiss Universal Bank – Corporate & Institutional Banking | 372.3 | 377.1 | (1.3) |
| International Wealth Management – Private Banking | 393.4 | 400.0 | (1.7) |
| International Wealth Management – Asset Management | 301.3 | 321.3 | (6.2) |
| Asia Pacific – Private Banking | 168.7 | 169.8 | (0.6) |
| Strategic Resolution Unit | 61.2 | 110.4 | (44.6) |
| Assets managed across businesses [1] | (91.4) | (91.3) | 0.1 |
| **Client Assets [2]** | **1,465.0** | **1,553.5** | **(5.7)** |

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

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

## Growth in assets under management

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Growth in assets under management (CHF billion)** | | | |
| **Net new assets** | **10.5** | **2.1** | **14.9** |
| of which Swiss Universal Bank – Private Banking | 0.7 | (2.9) | 1.5 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 2.3 | 4.2 | 6.1 |
| of which International Wealth Management – Private Banking | 5.4 | (4.2) | (0.7) |
| of which International Wealth Management – Asset Management [1] | 1.5 | 3.6 | 9.2 |
| of which Asia Pacific – Private Banking | 4.3 | 3.0 | 4.5 |
| of which Strategic Resolution Unit | (1.6) | (2.3) | (1.8) |
| of which assets managed across businesses [2] | (2.1) | 0.7 | (3.9) |
| **Other effects** | **(43.8)** | **(73.8)** | **(17.7)** |
| of which Swiss Universal Bank – Private Banking | (5.6) | 6.8 | (3.6) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | (4.5) | 8.5 | 4.7 |
| of which International Wealth Management – Private Banking | (8.0) | 7.3 | (12.6) |
| of which International Wealth Management – Asset Management | (21.5) | 3.1 | (4.5) |
| of which Asia Pacific – Private Banking | (5.1) | 8.3 | (0.4) |
| of which Strategic Resolution Unit | (1.1) | (107.1) | (1.2) |
| of which assets managed across businesses [2] | 2.0 | (0.7) | (0.1) |
| **Growth in assets under management** | **(33.3)** | **(71.7)** | **(2.8)** |
| of which Swiss Universal Bank – Private Banking | (4.9) | 3.9 | (2.1) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | (2.2) | 12.7 | 10.8 |
| of which International Wealth Management – Private Banking | (2.6) | 3.1 | (13.3) |
| of which International Wealth Management – Asset Management [1] | (20.0) | 6.7 | 4.7 |
| of which Asia Pacific – Private Banking | (0.8) | 11.3 | 4.1 |
| of which Strategic Resolution Unit | (2.7) | (109.4) | (3.0) |
| of which assets managed across businesses [2] | (0.1) | 0.0 | (4.0) |
| **Growth in assets under management (annualized) (%)** | | | |
| **Net new assets** | **3.5** | **0.6** | **4.4** |
| of which Swiss Universal Bank – Private Banking | 1.1 | (4.9) | 2.3 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 3.3 | 6.4 | 8.8 |
| of which International Wealth Management – Private Banking | 7.5 | (5.9) | (0.9) |
| of which International Wealth Management – Asset Management [1] | 1.9 | 4.6 | 12.1 |
| of which Asia Pacific – Private Banking | 11.4 | 8.6 | 12.0 |
| of which Strategic Resolution Unit | (22.7) | (6.7) | (5.0) |
| of which assets managed across businesses [2] | 9.2 | (3.2) | 17.5 |
| **Other effects** | **(14.5)** | **(22.9)** | **(5.2)** |
| of which Swiss Universal Bank – Private Banking | (9.2) | 11.5 | (5.5) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | (6.5) | 12.9 | 6.9 |
| of which International Wealth Management – Private Banking | (11.1) | 10.2 | (15.5) |
| of which International Wealth Management – Asset Management | (26.8) | 3.9 | (5.9) |
| of which Asia Pacific – Private Banking | (13.5) | 23.9 | (1.1) |
| of which Strategic Resolution Unit | (16.6) | (313.4) | (3.3) |
| of which assets managed across businesses [2] | (8.8) | 3.2 | 0.4 |
| **Growth in assets under management** | **(11.0)** | **(22.3)** | **(0.8)** |
| of which Swiss Universal Bank – Private Banking | (8.1) | 6.6 | (3.2) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | (3.2) | 19.3 | 15.7 |
| of which International Wealth Management – Private Banking | (3.6) | 4.3 | (16.4) |
| of which International Wealth Management – Asset Management [1] | (24.9) | 8.5 | 6.2 |
| of which Asia Pacific – Private Banking | (2.1) | 32.5 | 10.9 |
| of which Strategic Resolution Unit | (39.3) | (320.1) | (8.3) |
| of which assets managed across businesses [2] | 0.4 | 0.0 | 17.9 |

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

## Growth in assets under management (continued)

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Growth in net new assets (rolling four-quarter average) (%)** | | | |
| **Net new assets from continuing operations** | **3.1** | **3.4** | **2.4** |
| Net new assets from discontinued operations | 0.0 | 0.0 | (8.8) |
| **Net new assets** | **3.1** | **3.4** | **2.3** |
| of which Swiss Universal Bank – Private Banking | 0.9 | 1.2 | 0.6 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 2.4 | 3.8 | 4.4 |
| of which International Wealth Management – Private Banking | 1.0 | (0.9) | 1.6 |
| of which International Wealth Management – Asset Management [1] | 6.1 | 8.7 | 3.1 |
| of which Asia Pacific – Private Banking | 11.4 | 11.8 | 13.4 |
| of which Strategic Resolution Unit | (2.6) | (2.8) | (6.0) |
| of which assets managed across businesses [2] | 2.4 | 4.7 | 6.9 |

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

### 1Q16 results

As of the end of 1Q16, assets under management of CHF 1,180.8 billion decreased CHF 33.3 billion compared to the end of 4Q15, reflecting unfavorable market and foreign exchange-related movements, partially offset by net new assets of CHF 10.5 billion.

Swiss Universal Bank – Private Banking reported assets under management of CHF 236.1 billion as of the end of 1Q16, a decrease of CHF 4.9 billion compared to the end of 4Q15, driven by unfavorable market and foreign exchange-related movements, partially offset by net new assets of CHF 0.7 billion.

Swiss Universal Bank – Corporate & Institutional Banking reported assets under management of CHF 273.6 billion as of the end of 1Q16, a decrease of CHF 2.2 billion compared to the end of 4Q15, driven by unfavorable market and foreign exchange-related movements, partially offset by net new assets of CHF 2.3 billion.

International Wealth Management – Private Banking reported assets under management of CHF 287.0 billion as of the end of 1Q16, a decrease of CHF 2.6 billion compared to the end of 4Q15, reflecting unfavorable market and foreign exchange-related movements, partially offset by net new assets of CHF 5.4 billion, mainly reflecting solid inflows from emerging markets and Europe.

International Wealth Management – Asset Management reported assets under management of CHF 301.3 billion as of the end of 1Q16, a decrease of CHF 20.0 billion compared to the end of 4Q15, reflecting structural effects mainly from an adjustment of assets under management reported for multi-asset class solutions, unfavorable market and foreign exchange-related movements, partially offset by net new assets of CHF 1.5 billion, reflecting inflows primarily from traditional products, including in index solutions and real estate sector.

Asia Pacific – Private Banking reported assets under management of CHF 149.6 billion as of the end of 1Q16, stable compared to the end of 4Q15, reflecting unfavorable market and foreign exchange-related movements, offset by net new assets of CHF 4.3 billion, reflecting inflows primarily from the Greater China and South East Asia markets.

The Strategic Resolution Unit reported CHF 24.6 billion of assets under management as of the end of 1Q16, a decrease of CHF 2.7 billion compared to the end of 4Q15, primarily reflecting net asset outflows of CHF 1.6 billion, due to the wind-down of operations.

▸ Refer to “Swiss Universal Bank”, “International Wealth Management”, “Asia Pacific” and “Strategic Resolution Unit” in I – Credit Suisse results for further information.

▸ Refer to “Note 38 – Assets under management” in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

II

# Treasury, risk, balance sheet and off-balance sheet


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# Liquidity and funding management

In 1Q16, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

## OVERVIEW

Securities for funding and capital purposes have historically been issued primarily by the Bank, our principal operating subsidiary and a US registrant. In response to regulatory reform, we have started pursuing a dual track issuance strategy with securities offered at the Group level. Proceeds from issuances are lent to operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements and the former as desired by management to support business initiatives.

Our internal liquidity risk management framework is subject to review and monitoring by FINMA, other regulators and rating agencies.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on liquidity and funding management.

## REGULATORY FRAMEWORK

### Basel III liquidity framework

In 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our interpretation of such requirements, including relevant assumptions and estimates. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown in this report.

The LCR, which is being phased in from January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have unencumbered high-quality liquid assets available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of high-quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% per year until January 1, 2019.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's on- and off-balance sheet activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and, once in effect, should always be at least 100%. Following an observation period which began in 2012, the NSFR will become a minimum standard on January 1, 2018, at which time banks will be required to comply with disclosure requirements prescribed by the BCBS and implemented by national regulators.

### Swiss liquidity requirements

In 2012, the Swiss Federal Council adopted a liquidity ordinance (Liquidity Ordinance) that implements Basel III liquidity requirements into Swiss law subject, in part, to further rule-making, including the final Basel III LCR rules adopted in 2014. As a result, all Swiss banks are subject to an LCR requirement. Systemically relevant banks like Credit Suisse became subject to an initial minimum LCR requirement of 100% beginning on January 1, 2015, while other banks became subject to an initial 60% LCR requirement, with incremental increases by 10% per year until January 1, 2019. Further, beginning in May 2015, FINMA required us to maintain a minimum LCR of 110% at all times.

Our liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on the Basel III liquidity framework and Swiss liquidity requirements.

## LIQUIDITY RISK MANAGEMENT FRAMEWORK

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we expect to have sufficient liquidity to sustain operations for a period of time in excess of our minimum limit. This includes potential currency mismatches, which are not deemed to be a major risk but are monitored and subject to limits, particularly in the significant currencies of euro, Japanese yen, pound sterling, Swiss franc and US dollar.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information on our approach to liquidity risk management, governance and contingency planning.

## LIQUIDITY METRICS

### Liquidity pool

Treasury manages a sizeable portfolio of liquid assets, comprised of high-quality liquid assets (HQLA) as defined by FINMA. A portion of the liquidity pool is generated through reverse repurchase agreements with top-rated counterparties. We are mindful of potential credit risk and therefore focus our liquidity holdings strategy on cash held at central banks and highly rated government bonds, and on short-term reverse repurchase agreements. These bonds are eligible as collateral for liquidity facilities with various central banks including the SNB, the Fed, the ECB and the Bank of England. Our direct exposure on these bonds is limited to highly liquid, top-rated sovereign entities or fully guaranteed agencies of sovereign entities. These securities may also serve to meet liquidity requirements in major operating subsidiaries.

For the purpose of the LCR disclosure as of the end of 1Q16, our liquidity pool managed by Treasury had an HQLA value of CHF 185.2 billion. The liquidity pool consisted of CHF 101.7 billion of cash held at major central banks, primarily the SNB, the Fed and the ECB, and CHF 83.5 billion market value of securities issued by governments and government agencies, primarily from the US, UK, France and Germany. In addition to the liquidity portfolio managed by Treasury, there is also a portfolio of unencumbered liquid assets managed by various businesses, primarily in the Global Markets and Investment Banking and Capital Markets divisions. These assets generally include high-grade bonds and highly liquid equity securities that form part of major indices. Through coordination with the businesses, Treasury can access these assets to generate liquidity if required. As of the end of 1Q16, the portfolio that is not managed by Treasury had a market value of CHF 27.6 billion, consisting of CHF 5.1 billion of high-grade bonds and CHF 22.5 billion of highly liquid equity securities. Under our internal model, an average stress-level haircut of 20% is applied to these assets. The haircuts applied to these portfolios reflect our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities.

### Liquidity coverage ratio – Group

| End of | | | | | | 1Q16 | 4Q15 |
|---|---|---|---|---|---|---|---|
| | Swiss franc | US dollar | Euro | Other currencies | Unweighted value [1] | **Weighted value [2]** | Weighted value [2] |
| **High Quality Liquid Assets (HQLA) (CHF million)** | | | | | | | |
| Cash held at central banks | 49,256 | 35,346 | 14,309 | 2,741 | – | 101,652 | 86,740 |
| Securities | 1,406 | 60,258 | 3,079 | 18,803 | – | 83,546 | 88,566 |
| **High quality liquid assets [3]** | **50,662** | **95,604** | **17,388** | **21,544** | **–** | **185,198** | **175,306** |
| **Cash outflows (CHF million)** | | | | | | | |
| Retail deposits and deposits from small business customers | | | | | 151,501 | 19,252 | 19,362 |
| Unsecured wholesale funding | | | | | 202,032 | 81,833 | 86,619 |
| Secured wholesale funding | | | | | – | 77,893 | 86,778 |
| Additional requirements | | | | | 214,086 | 53,859 | 60,988 |
| Other contractual funding obligations | | | | | 64,947 | 64,947 | 49,946 |
| Other contingent funding obligations | | | | | 248,416 | 2,681 | 3,313 |
| **Total cash outflows** | | | | | **–** | **300,465** | **307,006** |
| **Cash inflows (CHF million)** | | | | | | | |
| Secured lending | | | | | 133,248 | 81,187 | 95,418 |
| Inflows from fully performing exposures | | | | | 54,904 | 29,908 | 31,104 |
| Other cash inflows | | | | | 66,886 | 66,886 | 52,011 |
| **Total cash inflows** | | | | | **–** | **177,981** | **178,533** |
| **Liquidity coverage ratio** | | | | | | | |
| High quality liquid assets (CHF million) | | | | | | 185,198 | 175,306 |
| Net cash outflows (CHF million) | | | | | | 122,484 | 128,473 |
| **Liquidity coverage ratio (%)** | | | | | | **151** | **136** |

Calculated using a three-month average.

[1] Calculated as outstanding balances maturing or callable within 30 days.

[2] Calculated after the application of haircuts for high quality liquid assets or inflow and outflow rates.

[3] Consists of cash and eligible securities as prescribed by FINMA.

### Liquidity Coverage Ratio

As of the end of 1Q16, our LCR was 151%, representing high-quality liquid assets of CHF 185.2 billion and net cash outflows of CHF 122.5 billion.

The increase in the LCR compared to the end of 4Q15 was driven by the increase in high-quality liquid assets, primarily from higher deposits at central banks, partially offset by a reduction in government-issued securities, and a reduction in net cash outflows.

The decrease in net cash outflows mainly reflected lower unsecured wholesale funding and reductions in additional requirements related to credit and liquidity facilities.

The decrease in unsecured wholesale funding reflected the sale of certain US business activities, which reduced non-operational deposit balances, and other operational deposit business movements. In addition, lower average amounts of short term unsecured debt instruments matured during 1Q16 compared to previous quarters over the past year. The reduction in the credit and liquidity facility outflows reflected both a lower commitments balance for purposes of the LCR calculation and the effect of a longer averaging period following a rule clarification during the previous quarter.

Outflows from other contractual funding obligations and other cash inflows both increased, primarily reflecting balances related to open and failed trades. However, the net impact was minimal due to the symmetrical treatment of these trades across outflows and inflows. The decrease in secured lending was offset by a decrease in secured wholesale funding. Outflows related to derivative exposures and other collateral requirements increased compared to 4Q15 due to an update to the calculation methodology relating to the market valuation changes on derivatives. This increase was partially offset by a slight reduction in both derivative cash flows and downgrade risks.

Compared to all quarters in 2015, the 1Q16 balances of high-quality liquid assets were at their highest and net cash outflows were at their lowest. The drivers behind the increase in the 1Q16 LCR remain consistent with the trends in 2015 and reflect our efforts to ensure that Group entities meet applicable local liquidity requirements.

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

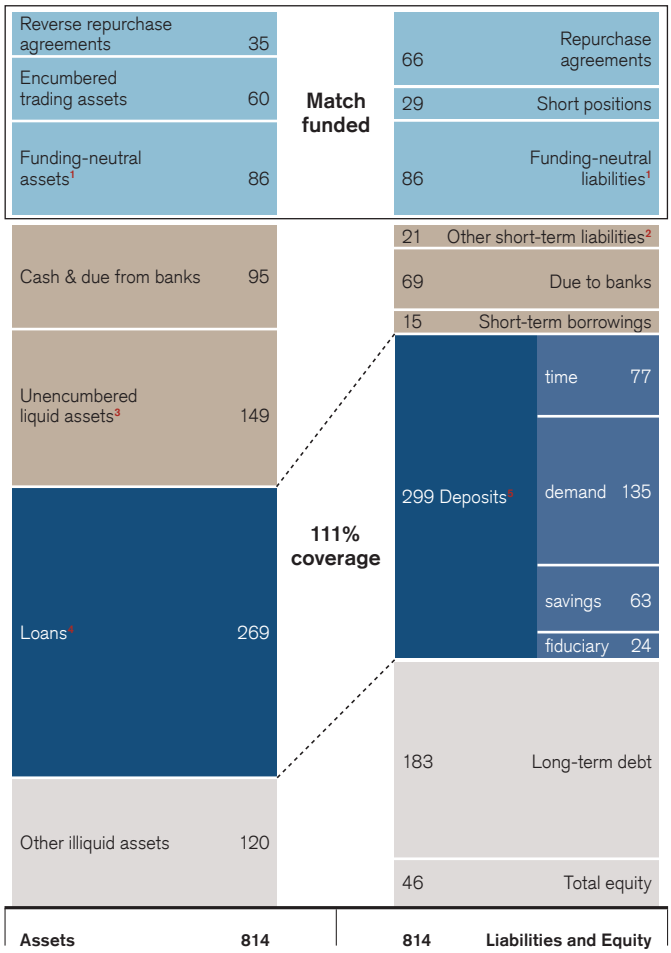
▸ Refer to www.credit-suisse.com/regulatorydisclosures for additional information.

## FUNDING SOURCES AND USES

We fund our balance sheet primarily through core customer deposits, long-term debt, including structured notes, and shareholders' equity. We monitor the funding sources, including their concentrations against certain limits, according to their counterparty, currency, tenor, geography and maturity, and whether they are secured or unsecured.

### Balance sheet funding structure

as of March 31, 2016 (CHF billion)




[1] Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.
[2] Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.
[3] Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.
[4] Excludes loans with banks.
[5] Excludes due to banks and certificates of deposit.

A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

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

Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 11% as of the end of 1Q16, compared to 13% as of

the end of 4Q15, primarily reflecting a small decrease in deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as the haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

Our core customer deposits totaled CHF 299 billion as of the end of 1Q16 compared to CHF 305 billion as of the end of 4Q15, reflecting a slightly lower customer deposit base in private banking and corporate & institutional banking businesses. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proven to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

▸ Refer to the chart "Balance sheet funding structure" and "Balance sheet" in Balance sheet, off-balance sheet and other contractual obligations for further information.

## DEBT ISSUANCES AND REDEMPTIONS

Our long-term debt includes senior and subordinated debt issued in US-registered offerings and medium-term note programs, euro market medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds.

The following table provides information on long-term debt issuances, maturities and redemptions in 1Q16, excluding structured notes.

### Debt issuances and redemptions

| in 1Q16 | Senior | Senior bail-in | Subordinated | **Long-term debt** |
|---|---|---|---|---|
| **Long-term debt (CHF billion, notional value)** | | | | |
| **Issuances** | **1.6** | 0 | 0 | **1.6** |
| of which unsecured | 1.3 | 0 | 0 | 1.3 |
| **Maturities / Redemptions** | **3.8** | 0 | 0 | **3.8** |
| of which unsecured | 3.6 | 0 | 0 | 3.6 |
| of which secured [1] | 0.2 | 0 | 0 | 0.2 |

Excludes structured notes.
[1] Includes covered bonds.

As of the end of 1Q16, we had outstanding long-term debt of CHF 183.5 billion, which included senior and subordinated instruments. We had CHF 55.0 billion and CHF 19.7 billion of structured notes and covered bonds outstanding, respectively, as of the end of 1Q16 compared to CHF 54.8 billion and CHF 19.5 billion, respectively, as of 4Q15.

▸ Refer to "Capital issuances and redemptions" in Capital management for information on capital issuances, including buffer and progressive capital notes.

As of the end of 1Q16, the weighted average maturity of long-term debt was 5.9 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity, or in 2030 for instruments without a stated final maturity).

Short-term borrowings increased to CHF 14.8 billion as of the end of 1Q16 compared to CHF 8.7 billion in 4Q15.

## CREDIT RATINGS

In January 2016, Moody's Investors Service downgraded the long-term ratings of Credit Suisse AG and its affiliates by one notch.

The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 1.0 billion, CHF 3.0 billion and CHF 3.6 billion, respectively, as of the end of 1Q16, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller.

Potential cash outflows on these derivative contracts associated with a downgrade of our long-term debt credit ratings, such as the requirement to post additional collateral to the counterparty, the loss of re-hypothecation rights on any collateral received and impacts arising from additional termination events, are monitored and taken into account in the calculation of our liquidity requirements. There are additional derivative related risks that do not relate to the downgrade of our long term debt credit ratings and which may impact our liquidity position, including risks relating to holdings of derivatives collateral or potential movements in the valuation of derivatives positions. The potential outflows resulting across all derivate product types are monitored as part of the LCR scenario parameters and internal liquidity reporting.

▸ Refer to "Credit ratings" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information.

# Capital management

As of the end of 1Q16, our CET1 ratio was 13.6% under Basel III and 11.4% on a look-through basis. Our risk-weighted assets were CHF 283.9 billion and our tier 1 capital was CHF 49.2 billion. Our BIS tier 1 leverage ratio was 5.1% and 4.4% on a look-through basis.

## REGULATORY CAPITAL FRAMEWORK

### Overview

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

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

▸ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for further information.

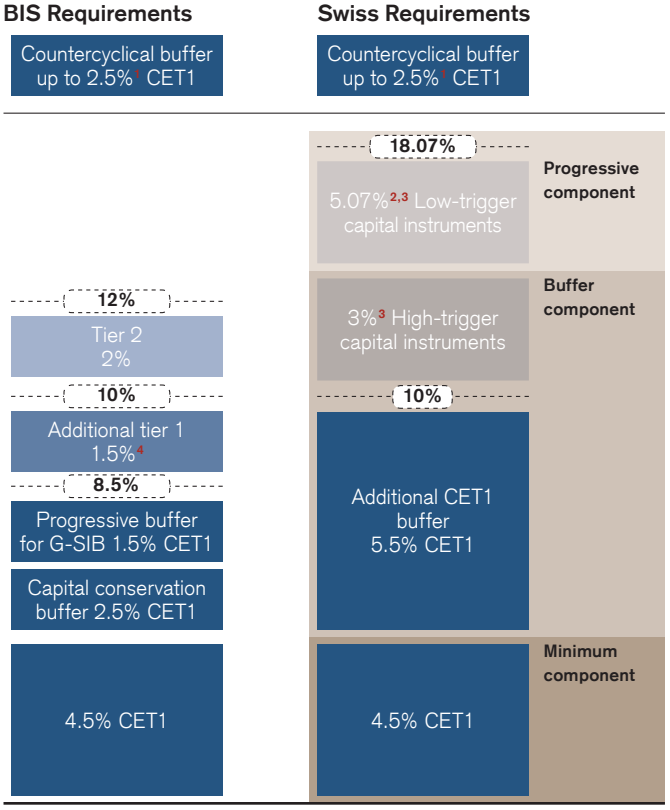
### BIS requirements

The BCBS, the standard setting committee within the BIS, issued the Basel III framework, with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector and requires banks to hold more capital, mainly in the form of common equity. The new capital standards are being phased in from 2013 through 2018 and are fully effective January 1, 2019 for those countries that have adopted Basel III.

▸ Refer to the table "Basel III phase-in requirements for Credit Suisse" for capital requirements and applicable effective dates during the phase-in period.

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

### Basel III capital frameworks for Credit Suisse




[1] As of June 30, 2014, banks must hold, pursuant to both BIS and FINMA requirements, CET1 capital in the amount of 2% of RWA pertaining to mortgage loans that finance residential property in Switzerland.

[2] The progressive component requirement is dependent on our size (leverage exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA.

[3] Counts towards Basel III minimum requirements as tier 1 or tier 2 capital depending on the quality of the underlying instruments.

[4] Additional tier 1 instruments must provide for principal loss absorption through a conversion into common equity or write-down feature. The trigger for such a conversion or write-down must include a CET1 ratio of at least 5.125%.

## Basel III phase-in requirements for Credit Suisse

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

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

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

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

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

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

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

### Swiss Requirements

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

▸ Refer to "Swiss Requirements" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Regulatory capital framework in the Credit Suisse Annual Report 2015 for further information.

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

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

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

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

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

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

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

▸ Refer to "Regulatory developments and proposals" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2015 for further information on the FINMA Decree.

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

### Risk measurement models

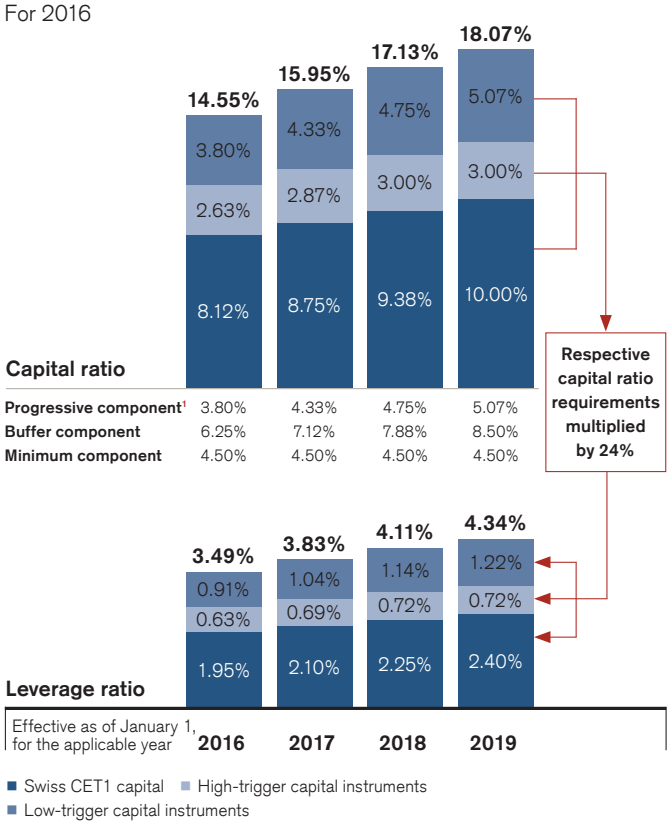
Within the Basel framework for FINMA regulatory capital purposes, we implemented risk measurement models, including an incremental risk charge, stressed Value-at-Risk (VaR), risks not in VaR and advanced credit valuation adjustment (CVA).

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period. In 1Q16, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

▸ Refer to "Market risk review" in Risk management for further information.

▸ Refer to "Risk measurement models" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Regulatory capital framework in the Credit Suisse Annual Report 2015 for further information.

## Swiss capital and leverage ratio phase-in requirements for Credit Suisse




Excludes the countercyclical buffer that was required as of September 30, 2013.

## REGULATORY DEVELOPMENTS AND PROPOSALS

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

▸ Refer to "Regulatory developments and proposals" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2015 for further information, particularly regarding the proposed "Too Big to Fail" requirements for Swiss G-SIBs.

## CAPITAL ISSUANCES AND REDEMPTIONS

### Issuances and redemptions

There were no capital issuances in 1Q16. In March 2016, in connection with the pending settlement of certain outstanding Contingent Capital Awards (CCA) in the amounts of USD 503 million and CHF 59 million, we no longer recognize these instruments as additional tier 1 capital.

### Higher Trigger Capital Amount

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

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5.125%, the Higher Trigger Capital Amount was CHF 8.3 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all RWA of the Group) was 2.9%, both as of the end of 1Q16.

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5%, the Higher Trigger Capital Amount was CHF 13.3 billion and the Higher Trigger Capital Ratio was 4.7%, both as of the end of 1Q16.

▸ Refer to the table "BIS capital metrics – Group" for further information on the BIS statistics used to calculate such measures.

▸ Refer to "Higher Trigger Capital Amount" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Capital issuances and redemptions in the Credit Suisse Annual Report 2015 for further information on the Higher Trigger Capital Amount.

## BIS capital metrics – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | 1Q16 | 4Q15 | % change QoQ | 1Q16 | 4Q15 | % change QoQ |
| **Capital and risk-weighted assets (CHF million)** | | | | | | |
| CET1 capital | 38,682 | 42,072 | (8) | 31,840 | 32,938 | (3) |
| Tier 1 capital | 49,221 | 53,063 | (7) | 42,536 | 44,601 | (5) |
| Total eligible capital | 58,168 | 62,682 | (7) | 49,345 | 51,425 | (4) |
| Risk-weighted assets | 283,937 | 294,950 | (4) | 280,382 | 289,946 | (3) |
| **Capital ratios (%)** | | | | | | |
| CET1 ratio | 13.6 | 14.3 | – | 11.4 | 11.4 | – |
| Tier 1 ratio | 17.3 | 18.0 | – | 15.2 | 15.4 | – |
| Total capital ratio | 20.5 | 21.3 | – | 17.6 | 17.7 | – |

## Eligible capital – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | 1Q16 | 4Q15 | % change QoQ | 1Q16 | 4Q15 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | |
| **Total shareholders' equity** | **44,997** | **44,382** | 1 | **44,997** | **44,382** | 1 |
| Regulatory adjustments [1] | (591) | (459) | 29 | (591) | (459) | 29 |
| **Adjustments subject to phase-in** | | | | | | |
| Accounting treatment of defined benefit pension plans | 1,389 | 2,132 | (35) | – | – | – |
| Common share capital issued by subsidiaries and held by third parties | 62 | 89 | (30) | – | – | – |
| Goodwill [2] | (2,787) | (1,906) | 46 | (4,645) | (4,765) | (3) |
| Other intangible assets [2] | (41) | (28) | 46 | (68) | (71) | (4) |
| Deferred tax assets that rely on future profitability | (2,210) | (1,262) | 75 | (3,683) | (3,155) | 17 |
| Shortfall of provisions to expected losses | (278) | (234) | 19 | (463) | (584) | (21) |
| Gains/(losses) due to changes in own credit on fair-valued liabilities | (1,207) | (185) | – | (2,012) | (463) | 335 |
| Defined benefit pension assets [2] | (348) | (244) | 43 | (581) | (611) | (5) |
| Investments in own shares | (24) | (8) | 200 | (41) | (21) | 95 |
| Other adjustments [3] | (39) | (2) | – | (65) | (5) | – |
| Deferred tax assets from temporary differences (threshold-based) | (241) | (203) | 19 | (1,008) | (1,310) | (23) |
| **Adjustments subject to phase-in** | **(5,724)** [4] | **(1,851)** | 209 | **(12,566)** | **(10,985)** | 14 |
| **CET1 capital** | **38,682** | **42,072** | (8) | **31,840** | **32,938** | (3) |
| High-trigger capital instruments (7% trigger) | 5,679 | 6,562 | (13) | 5,679 | 6,562 | (13) |
| Low-trigger capital instruments (5.125% trigger) | 5,017 | 5,101 | (2) | 5,017 | 5,101 | (2) |
| **Additional tier 1 instruments** | **10,696** | **11,663** | (8) | **10,696** | **11,663** | (8) |
| Additional tier 1 instruments subject to phase-out [5] | 2,579 | 2,616 | (1) | – | – | – |
| Deductions from additional tier 1 capital | (2,736) [6] | (3,288) | (17) | – | – | – |
| **Additional tier 1 capital** | **10,539** | **10,991** | (4) | **10,696** | **11,663** | (8) |
| **Tier 1 capital** | **49,221** | **53,063** | (7) | **42,536** | **44,601** | (5) |
| High-trigger capital instruments (7% trigger) | 2,620 | 2,682 | (2) | 2,620 | 2,682 | (2) |
| Low-trigger capital instruments (5% trigger) | 4,189 | 4,142 | 1 | 4,189 | 4,142 | 1 |
| **Tier 2 instruments** | **6,809** | **6,824** | 0 | **6,809** | **6,824** | 0 |
| Tier 2 instruments subject to phase-out | 2,231 | 2,970 | (25) | – | – | – |
| Deductions from tier 2 capital | (93) | (175) | (47) | – | – | – |
| **Tier 2 capital** | **8,947** | **9,619** | (7) | **6,809** | **6,824** | 0 |
| **Total eligible capital** | **58,168** | **62,682** | (7) | **49,345** | **51,425** | (4) |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Net of deferred tax liability.
[3] Includes cash flow hedge reserve.
[4] Reflects 60% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 40% of an adjustment primarily for the accounting treatment of pension plans pursuant to phase-in requirements.
[5] Includes hybrid capital instruments that are subject to phase-out.
[6] Includes 40% of goodwill and other intangible assets (CHF 1.9 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.

## Capital movement – Group

| 1Q16 | Phase-in | Look-through |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **42,072** | **32,938** |
| Net loss attributable to shareholders | (302) | (302) |
| Foreign exchange impact | (583) [1] | (393) |
| Impact of deductions relating to phase-in requirements | (2,777) | – |
| Other | 272 [2] | (403) |
| **Balance at end of period** | **38,682** | **31,840** |
| **Additional tier 1 capital (CHF million)** | | |
| **Balance at beginning of period** | **10,991** | **11,663** |
| Foreign exchange impact | (233) | (245) |
| Impact of deductions relating to phase-in requirements | 1,096 | – |
| Redemptions | (505) | (505) |
| Other | (810) [3] | (217) |
| **Balance at end of period** | **10,539** | **10,696** |
| **Tier 2 capital (CHF million)** | | |
| **Balance at beginning of period** | **9,619** | **6,824** |
| Foreign exchange impact | (199) | (141) |
| Impact of deductions relating to phase-in requirements | 59 | – |
| Other [4] | (532) | 126 |
| **Balance at end of period** | **8,947** | **6,809** |
| **Eligible capital (CHF million)** | | |
| **Balance at end of period** | **58,168** | **49,345** |

[1] Includes US GAAP cumulative translation adjustments and the foreign exchange impact on regulatory CET1 adjustments.
[2] Includes the net effect of share-based compensation and pensions, the impact of a dividend accrual, which includes the assumption that 60% of the proposed dividend is distributed in shares and a change in other regulatory adjustments (e.g., certain deferred tax assets).
[3] Reflects a change in regulatory adjustments, including a reversal of gains/(losses) due to changes in own credit risk on fair-valued financial liabilities.
[4] Primarily reflects the impact of the prescribed amortization requirement as instruments move closer to their maturity date.

## BIS CAPITAL METRICS

### Regulatory capital and ratios

Our CET1 ratio was 13.6% as of the end of 1Q16 compared to 14.3% as of the end of 4Q15, reflecting lower CET1 capital, partially offset by lower RWA. Our tier 1 ratio was 17.3% as of the end of 1Q16 compared to 18.0% as of the end of 4Q15. Our total capital ratio was 20.5% as of the end of 1Q16 compared to 21.3% as of the end of 4Q15.

CET1 capital was CHF 38.7 billion as of the end of 1Q16 compared to CHF 42.1 billion as of the end of 4Q15, mainly reflecting an additional annual 20% phase-in of regulatory deductions from CET1 (from 40% to 60%), including goodwill, other intangible assets and certain deferred tax assets, and an additional annual 20% decrease in the adjustment for the accounting treatment of pension plans (from 60% to 40%), pursuant to phase-in requirements. CET1 capital was also affected by a negative foreign exchange impact and a net loss attributable to shareholders, partially offset by the net effect of share-based compensation.

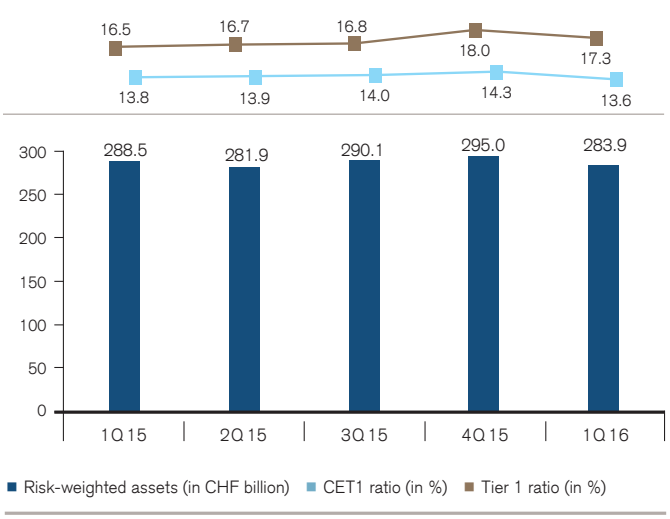
Additional tier 1 capital decreased to CHF 10.5 billion as of the end of 1Q16 compared to CHF 11.0 billion as of the end of 4Q15, mainly reflecting the phase-in component of the regulatory reversal of net gains due to changes in own credit risk on fair-valued financial liabilities, the pending settlement of certain outstanding CCA and the negative foreign exchange impact, partially offset by the additional annual 20% phase-in of regulatory deductions (from 60% to 40%), including goodwill, other intangible assets and other capital deductions.

Tier 2 capital was CHF 8.9 billion as of the end of 1Q16 compared to CHF 9.6 billion as of the end of 4Q15, mainly due to the impact of the prescribed amortization requirements as instruments move closer to their maturity date and a negative foreign exchange impact.

Total eligible capital was CHF 58.2 billion as of the end of 1Q16 compared to CHF 62.7 billion as of the end of 4Q15, reflecting the decreases in CET1 capital, additional tier 1 capital and tier 2 capital.

As of the end of 1Q16, the look-through CET1 ratio was 11.4%, stable compared to the end of 4Q15. As of the end of 1Q16, the look-through total capital ratio was 17.6%, compared to 17.7% as of the end of 4Q15.

## Risk-weighted assets and capital ratios – Group



## RISK-WEIGHTED ASSETS

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

RWA decreased 4% to CHF 283.9 billion as of the end of 1Q16 from CHF 295.0 billion as of the end of 4Q15, primarily driven by movements in risk levels and the foreign exchange impact, partially offset by increases in external methodology and policy changes.

Excluding the foreign exchange impact, the decrease in **credit risk** was primarily driven by movements in risk levels, partially offset by external methodology and policy changes and model and parameter updates. Movements in risk levels attributable to book size primarily resulted from reductions in commercial lending and banking book securitizations in Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit. There was also a reduction in private equity investments within International Wealth Management and a decrease resulting from the impact of the Basel III phase-in requirements. These decreases were partially offset by movements in risk levels attributable to book quality for advanced CVA due to credit spread changes. External methodology and policy changes were related to the mortgage multiplier, multipliers on residential and commercial income producing real estate (IPRE) within the Swiss Universal Bank, an additional phase-in of a multiplier on certain investment banking corporate exposures across the Group and an additional requirement relating to non-lombard loans guaranteed by individuals. Changes due to model and parameter updates were primarily driven by a time series update of the data set related to advanced CVA and caused an increase in Global Markets and decreases in the Strategic Resolution Unit and Asia Pacific.

Excluding the foreign exchange impact, the decrease in **market risk** was primarily driven by movements in risk levels and internal methodology and policy changes. The movements in risk levels were primarily related to reductions in trading book securitizations in Global Markets. Internal methodology and policy changes decreased RWA, mainly due to a change in 1Q16 to capture certain market risks in the VaR model previously covered in RNIV.

RWA relating to **operational risk** were unchanged at the Group level, although reallocations of RWA among the divisions were recorded in 1Q16 to reflect the new organizational structure.

### Risk-weighted assets – Group

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Group |
|---|---|---|---|---|---|---|---|---|
| **1Q16 (CHF million)** | | | | | | | | |
| Credit risk | 50,570 | 18,844 | 15,949 | 38,626 | 13,322 | 32,258 | 15,453 | **185,022** |
| Market risk | 852 | 786 | 7,121 | 15,046 | 12 | 3,036 | 214 | **27,067** |
| Operational risk | 11,724 | 12,075 | 4,779 | 16,316 | 2,544 | 19,000 | 0 | **66,438** |
| Non-counterparty risk | 314 | 245 | 71 | 56 | 0 | 268 | 4,456 | **5,410** |
| **Risk-weighted assets – phase-in** | **63,460** | **31,950** | **27,920** | **70,044** | **15,878** | **54,562** | **20,123** | **283,937** |
| Look-through adjustment | – | – | – | – | – | – | (3,555) | **(3,555)** |
| **Risk-weighted assets – look-through** | **63,460** | **31,950** | **27,920** | **70,044** | **15,878** | **54,562** | **16,568** | **280,382** |
| **4Q15 (CHF million)** | | | | | | | | |
| Credit risk | 47,833 | 18,496 | 15,577 | 41,195 | 14,559 | 38,335 | 17,203 | **193,198** |
| Market risk | 658 | 725 | 5,170 | 19,247 | 83 | 3,747 | 169 | **29,799** |
| Operational risk | 11,056 | 12,932 | 6,812 | 13,206 | 3,182 | 19,250 | 0 | **66,438** |
| Non-counterparty risk | 322 | 254 | 65 | 58 | 0 | 306 | 4,510 | **5,515** |
| **Risk-weighted assets – phase-in** | **59,869** | **32,407** | **27,624** | **73,706** | **17,824** | **61,638** | **21,882** | **294,950** |
| Look-through adjustment | – | – | – | – | – | – | (5,004) | **(5,004)** |
| **Risk-weighted assets – look-through** | **59,869** | **32,407** | **27,624** | **73,706** | **17,824** | **61,638** | **16,878** | **289,946** |

## Risk-weighted asset movement by risk type – Group

| 1Q16 (CHF million) | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Total |
|---|---|---|---|---|---|---|---|---|
| **Credit risk** | | | | | | | | |
| **Balance at beginning of period** | **47,833** | **18,496** | **15,577** | **41,195** | **14,559** | **38,335** | **17,203** | **193,198** |
| Foreign exchange impact | (646) | (232) | (373) | (1,152) | (426) | (970) | (213) | (4,012) |
| Movements in risk levels | 2,181 | 205 | 3,439 | (8,859) | (1,729) | (1,468) | (1,621) | (7,852) |
| of which credit risk – book size [1] | 1,008 | (59) | 326 | (2,977) | (1,524) | (4,022) | (1,653) | (8,901) |
| of which credit risk – book quality [2] | 1,173 | 264 | 3,113 | (5,882) | (205) | 2,554 | 32 | 1,049 |
| Model and parameter updates [3] | (395) | 90 | (1,591) | 5,402 | 462 | (2,797) | 88 | 1,259 |
| Methodology and policy changes – internal [4] | (291) | 47 | (1,337) | 2,048 | 156 | (892) | (3) | (272) |
| Methodology and policy changes – external [5] | 1,888 | 238 | 234 | (8) | 300 | 50 | (1) | 2,701 |
| **Balance at end of period – phase-in** | **50,570** | **18,844** | **15,949** | **38,626** | **13,322** | **32,258** | **15,453** | **185,022** |
| **Market risk** | | | | | | | | |
| **Balance at beginning of period** | **658** | **725** | **5,170** | **19,247** | **83** | **3,747** | **169** | **29,799** |
| Foreign exchange impact | (29) | (11) | (162) | (317) | (20) | (55) | (2) | (596) |
| Movements in risk levels | 243 | 92 | 1,591 | (3,249) | (50) | (379) | 47 | (1,705) |
| Model and parameter updates [3] | 2 | 3 | 710 | (221) | 0 | (176) | 0 | 318 |
| Methodology and policy changes – internal [4] | (22) | (23) | (188) | (414) | (1) | (101) | 0 | (749) |
| **Balance at end of period – phase-in** | **852** | **786** | **7,121** | **15,046** | **12** | **3,036** | **214** | **27,067** |
| **Operational risk** | | | | | | | | |
| **Balance at beginning of period** | **11,056** | **12,932** | **6,812** | **13,206** | **3,182** | **19,250** | **0** | **66,438** |
| Movements in risk levels | 668 | (857) | (2,033) | 3,110 | (638) | (250) | 0 | 0 |
| **Balance at end of period – phase-in** | **11,724** | **12,075** | **4,779** | **16,316** | **2,544** | **19,000** | **0** | **66,438** |
| **Non-counterparty risk** | | | | | | | | |
| **Balance at beginning of period** | **322** | **254** | **65** | **58** | **0** | **306** | **4,510** | **5,515** |
| Movements in risk levels | (8) | (9) | 6 | (2) | 0 | (38) | (54) | (105) |
| **Balance at end of period – phase-in** | **314** | **245** | **71** | **56** | **0** | **268** | **4,456** | **5,410** |
| **Total** | | | | | | | | |
| **Balance at beginning of period** | **59,869** | **32,407** | **27,624** | **73,706** | **17,824** | **61,638** | **21,882** | **294,950** |
| Foreign exchange impact | (675) | (243) | (535) | (1,469) | (446) | (1,025) | (215) | (4,608) |
| Movements in risk levels | 3,084 | (569) | 3,003 | (9,000) | (2,417) | (2,135) | (1,628) | (9,662) |
| Model and parameter updates [3] | (393) | 93 | (881) | 5,181 | 462 | (2,973) | 88 | 1,577 |
| Methodology and policy changes – internal [4] | (313) | 24 | (1,525) | 1,634 | 155 | (993) | (3) | (1,021) |
| Methodology and policy changes – external [5] | 1,888 | 238 | 234 | (8) | 300 | 50 | (1) | 2,701 |
| **Balance at end of period – phase-in** | **63,460** | **31,950** | **27,920** | **70,044** | **15,878** | **54,562** | **20,123** | **283,937** |
| Look-through adjustment [6] | – | – | – | – | – | – | (3,555) | (3,555) |
| **Balance at end of period – look-through** | **63,460** | **31,950** | **27,920** | **70,044** | **15,878** | **54,562** | **16,568** | **280,382** |

[1] Represents changes in portfolio size.
[2] Represents changes in average risk weighting across credit risk classes.
[3] Represents movements arising from updates to models and recalibrations of parameters.
[4] Represents internal changes impacting how exposures are treated.
[5] Represents externally prescribed regulatory changes impacting how exposures are treated.
[6] The look-through adjustment impacts only credit risk within the Corporate Center. The difference between phase-in and look-through risk-weighted assets relates to transitional arrangements such as the impact from pension assets and deferred tax assets not deducted from CET1 during the phase-in period and the transitional impact from threshold-related risk-weighted assets.

## LEVERAGE METRICS

Beginning in 1Q15, Credit Suisse adopted the BIS leverage ratio framework, as issued by the BCBS and implemented in Switzerland by FINMA. Under the BIS framework, the leverage ratio measures tier 1 capital against the end of period exposure. BIS leverage amounts are calculated based on our interpretation of, and assumptions and estimates related to, the BIS requirements as implemented in Switzerland by FINMA. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown here. As used herein, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments.

The look-through leverage exposure was CHF 969.5 billion as of the end of 1Q16, 2% lower compared to CHF 987.6 billion as of the end of 4Q15. The movement was primarily due to a decrease in off-balance sheet exposures relating to irrevocable loan commitments and the foreign exchange translation impact. The reduction in the Group's consolidated balance sheet reflected the foreign exchange translation impact, mostly offset by higher operating activities.

▸ Refer to "Balance sheet and off-balance sheet" for further information on the reduction in the Group's consolidated balance sheet.

### Leverage exposure components – Group

| | Phase-in | | | Look-through | | |
|---|---|---|---|---|---|---|
| end of | **1Q16** | 4Q15 | % change QoQ | **1Q16** | 4Q15 | % change QoQ |
| **Leverage exposure (CHF million)** | | | | | | |
| **Balance sheet assets** | **813,898** | **820,805** | (1) | **813,898** | **820,805** | (1) |
| **Adjustments** | | | | | | |
| Difference in scope of consolidation and tier 1 capital deductions [1] | (11,903) | (10,553) | 13 | (16,073) | (16,431) | (2) |
| Derivative financial instruments | 100,417 | 104,353 | (4) | 100,417 | 104,353 | (4) |
| Securities financing transactions | (14,147) | (16,214) | (13) | (14,147) | (16,214) | (13) |
| Off-balance sheet exposures | 85,446 | 95,115 | (10) | 85,446 | 95,115 | (10) |
| **Total adjustments** | **159,813** | **172,701** | (7) | **155,643** | **166,823** | (7) |
| **Leverage exposure** | **973,711** | **993,506** | (2) | **969,541** | **987,628** | (2) |

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

### Look-through leverage exposure – Group

| end of | **1Q16** | 4Q15 |
|---|---|---|
| **Look-through leverage exposure (CHF million)** | | |
| Swiss Universal Bank | 233,288 | 235,700 |
| International Wealth Management | 84,909 | 99,112 |
| Asia Pacific | 98,772 | 98,698 |
| Global Markets | 327,588 | 313,315 |
| Investment Banking & Capital Markets | 38,530 | 42,861 |
| Strategic Resolution Unit | 122,213 | 138,219 |
| Corporate Center | 64,241 | 59,723 |
| **Leverage exposure** | **969,541** | **987,628** |

### BIS leverage ratios – Group

The tier 1 leverage ratio was 5.1% as of the end of 1Q16, with a CET1 component of 4.0%. On a look-through basis, the tier 1 leverage ratio was 4.4%, with a CET1 component of 3.3%.

The tier 1 leverage ratio decreased from 5.3% as of the end of 4Q15, reflecting the decrease in tier 1 capital, partially offset by the decrease in leverage exposure. The CET1 leverage ratio decreased from 4.2% as of the end of 4Q15, reflecting the decrease in CET1 capital, partially offset by the decrease in leverage exposure.

## BIS leverage metrics – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | 1Q16 | 4Q15 | % change QoQ | 1Q16 | 4Q15 | % change QoQ |
| **Capital (CHF million)** | | | | | | |
| CET1 capital | 38,682 | 42,072 | (8) | 31,840 | 32,938 | (3) |
| Tier 1 capital | 49,221 | 53,063 | (7) | 42,536 | 44,601 | (5) |
| **Leverage exposure (CHF million)** | | | | | | |
| Leverage exposure | 973,711 | 993,506 | (2) | 969,541 | 987,628 | (2) |
| **Leverage ratios (%)** | | | | | | |
| CET1 leverage ratio | 4.0 | 4.2 | – | 3.3 | 3.3 | – |
| Tier 1 leverage ratio | 5.1 | 5.3 | – | 4.4 | 4.5 | – |

## SWISS CAPITAL METRICS

### Swiss regulatory capital and ratios

▸ Refer to "Swiss Requirements" in Regulatory capital framework for further information on Swiss regulatory requirements.

Swiss CET1 capital consists of BIS CET1 capital and certain Swiss regulatory adjustments. Swiss total eligible capital consists of Swiss CET1 capital, high-trigger capital instruments, low-trigger capital instruments, additional tier 1 and tier 2 instruments subject to phase-out and deductions from additional tier 1 and tier 2 capital.

As of the end of 1Q16, our Swiss CET1 capital and Swiss total capital ratios were 13.5% and 20.4%, respectively, compared to the Swiss capital ratio phase-in requirements of 8.12% and 14.55%, respectively.

On a look-through basis, our Swiss CET1 capital was CHF 31.7 billion and our Swiss CET1 ratio was 11.3% as of the end of 1Q16. Our Swiss total eligible capital was CHF 49.2 billion and our Swiss total capital ratio was 17.5% as of the end of 1Q16, each on a look-through basis.

## Swiss capital metrics – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | 1Q16 | 4Q15 | % change QoQ | 1Q16 | 4Q15 | % change QoQ |
| **Capital development (CHF million)** | | | | | | |
| CET1 capital | 38,682 | 42,072 | (8) | 31,840 | 32,938 | (3) |
| Swiss regulatory adjustments [1] | (149) | (143) | 4 | (154) | (151) | 2 |
| **Swiss CET1 capital** | **38,533** | **41,929** | (8) | **31,686** | **32,787** | (3) |
| Additional tier 1 instruments | 5,679 | 6,562 | (13) | 5,679 | 6,562 | (13) |
| Tier 2 instruments | 2,620 | 2,682 | (2) | 2,620 | 2,682 | (2) |
| **High-trigger capital instruments** | **8,299** | **9,244** | (10) | **8,299** | **9,244** | (10) |
| Additional tier 1 instruments | 5,017 | 5,101 | (2) | 5,017 | 5,101 | (2) |
| Tier 2 instruments | 4,189 | 4,142 | 1 | 4,189 | 4,142 | 1 |
| **Low-trigger capital instruments** | **9,206** | **9,243** | 0 | **9,206** | **9,243** | 0 |
| Additional tier 1 and tier 2 instruments subject to phase-out | 4,810 | 5,586 | (14) | – | – | – |
| Deductions from additional tier 1 and tier 2 capital | (2,829) | (3,463) | (18) | – | – | – |
| **Swiss total eligible capital** | **58,019** | **62,539** | (7) | **49,191** | **51,274** | (4) |
| **Risk-weighted assets (CHF million)** | | | | | | |
| Risk-weighted assets – Basel III | 283,937 | 294,950 | (4) | 280,382 | 289,946 | (3) |
| Swiss regulatory adjustments [2] | 778 | 908 | (14) | 778 | 907 | (14) |
| **Swiss risk-weighted assets** | **284,715** | **295,858** | (4) | **281,160** | **290,853** | (3) |
| **Swiss capital ratios (%)** | | | | | | |
| Swiss CET1 ratio | 13.5 | 14.2 | – | 11.3 | 11.3 | – |
| Swiss total capital ratio | 20.4 | 21.1 | – | 17.5 | 17.6 | – |

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Primarily includes differences in the credit risk multiplier.

The following table presents the Swiss Requirements for each of the relevant capital components and discloses our current capital metrics against those requirements.

## Swiss capital requirements and coverage – Group

| | | | | | Group |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 1Q16 |
| **Risk-weighted assets (CHF billion)** | | | | | |
| Swiss risk-weighted assets | – | – | – | – | **284.7** |
| **2016 Swiss capital requirements** [1] | | | | | |
| Minimum Swiss capital ratio | 4.50% | 6.25% [2] | 3.80% | – | **14.55%** |
| Minimum Swiss capital (CHF billion) | 12.8 | 17.8 | 10.8 | – | **41.4** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 12.8 | 11.1 | – | 14.6 | **38.5** |
| High-trigger capital instruments | – | 6.7 | 1.6 | – | **8.3** |
| Low-trigger capital instruments | – | – | 9.2 | – | **9.2** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.8 | **4.8** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.8) | **(2.8)** |
| **Swiss total eligible capital** | **12.8** | **17.8** | **10.8** | **16.6** | **58.0** |
| **Swiss capital ratios (%)** | | | | | |
| Swiss total capital ratio | 4.50% | 6.25% | 3.80% | 5.83% | **20.38%** |

Rounding differences may occur.
[1] The Swiss capital requirements are based on a percentage of RWA.
[2] Excludes the countercyclical buffer that was required as of September 30, 2013. As of the end of 1Q16, the countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 382 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

### SWISS LEVERAGE METRICS

The leverage exposure used in the Swiss leverage ratio is measured on the same period-end basis as the leverage exposure for the BIS leverage ratio.

The Swiss leverage ratio is calculated as Swiss total eligible capital, including high- and low-trigger capital instruments, divided by leverage exposure.

As of the end of 1Q16, our Swiss leverage ratio was 6.0% compared to a requirement of 3.49%.

The Group's look-through Swiss leverage ratio was 5.1% as of the end of 1Q16, compared to the current 4.34% requirement effective 2019, reflecting our progressive component requirement for 2016.

## Swiss leverage metrics – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | 1Q16 | 4Q15 | % change QoQ | 1Q16 | 4Q15 | % change QoQ |
| **Swiss leverage metrics (CHF million, except where indicated)** | | | | | | |
| Swiss total eligible capital | 58,019 | 62,539 | (7) | 49,191 | 51,274 | (4) |
| Leverage exposure | 973,711 | 993,506 | (2) | 969,541 | 987,628 | (2) |
| Swiss leverage ratio (%) | 6.0 | 6.3 | – | 5.1 | 5.2 | – |

The following table presents the Swiss Requirements relating to each of the relevant capital components and discloses our current leverage metrics against those requirements.

## Swiss leverage requirements and coverage – Group

| | | | | | Group |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 1Q16 |
| **Exposure (CHF billion)** | | | | | |
| Leverage exposure | – | – | – | – | **973.7** |
| **2016 Swiss leverage requirements** | | | | | |
| Minimum Swiss leverage ratio | 1.08% | 1.50% | 0.91% | – | **3.49%** |
| Minimum Swiss capital (CHF billion) | 10.5 | 14.6 | 8.9 | – | **34.0** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 10.5 | 8.5 | – | 19.5 | **38.5** |
| High-trigger capital instruments | – | 6.1 | – | 2.2 | **8.3** |
| Low-trigger capital instruments | – | – | 8.9 | 0.3 | **9.2** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.8 | **4.8** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.8) | **(2.8)** |
| **Swiss total eligible capital** | **10.5** | **14.6** | **8.9** | **24.0** | **58.0** |
| **Swiss leverage ratio (%)** | | | | | |
| Swiss leverage ratio | 1.08% | 1.50% | 0.91% | 2.47% | **5.96%** |

Rounding differences may occur.

## BANK REGULATORY DISCLOSURES

The following capital, RWA and leverage disclosures apply to the Bank. The business of the Bank is substantially the same as that of the Group, including business drivers and trends relating to capital, RWA and leverage metrics.

### BIS capital and leverage metrics – Bank

▸ Refer to "BIS capital metrics", "Risk-weighted assets" and "Leverage metrics" for further information.

## BIS capital metrics – Bank

| | | | Phase-in |
|---|---|---|---|
| end of | 1Q16 | 4Q15 | % change QoQ |
| **Capital and risk-weighted assets (CHF million)** | | | |
| CET1 capital | 37,202 | 40,013 | (7) |
| Tier 1 capital | 47,236 | 50,570 | (7) |
| Total eligible capital | 56,233 | 60,242 | (7) |
| Risk-weighted assets | 276,737 | 286,947 | (4) |
| **Capital ratios (%)** | | | |
| CET1 ratio | 13.4 | 13.9 | – |
| Tier 1 ratio | 17.1 | 17.6 | – |
| Total capital ratio | 20.3 | 21.0 | – |

## Eligible capital and risk-weighted assets – Bank

| end of | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|
| **Eligible capital (CHF million)** | | | |
| **Total shareholder's equity** | **43,789** | **43,406** | 1 |
| Regulatory adjustments [1] | (156) | (5) | – |
| Adjustments subject to phase-in | (6,431) [2] | (3,388) | 90 |
| **CET1 capital** | **37,202** | **40,013** | (7) |
| Additional tier 1 instruments | 9,855 [3] | 10,805 | (9) |
| Additional tier 1 instruments subject to phase-out [4] | 2,579 | 2,616 | (1) |
| Deductions from additional tier 1 capital | (2,400) [5] | (2,864) | (16) |
| **Additional tier 1 capital** | **10,034** | **10,557** | (5) |
| **Tier 1 capital** | **47,236** | **50,570** | (7) |
| Tier 2 instruments | 6,852 [6] | 6,865 | 0 |
| Tier 2 instruments subject to phase-out | 2,231 | 2,970 | (25) |
| Deductions from tier 2 capital | (86) | (163) | (47) |
| **Tier 2 capital** | **8,997** | **9,672** | (7) |
| **Total eligible capital** | **56,233** | **60,242** | (7) |
| **Risk-weighted assets by risk type (CHF million)** | | | |
| Credit risk | 178,194 | 185,574 | (4) |
| Market risk | 27,018 | 29,755 | (9) |
| Operational risk | 66,438 | 66,438 | 0 |
| Non-counterparty risk | 5,087 | 5,180 | (2) |
| **Risk-weighted assets** | **276,737** | **286,947** | (4) |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Primarily reflects 60% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets.
[3] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 5.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.1 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
[4] Includes hybrid capital instruments that are subject to phase-out.
[5] Includes 40% of goodwill and other intangible assets (CHF 1.6 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
[6] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.2 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## Leverage exposure components – Bank

| end of | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|
| **Leverage exposure (CHF million)** | | | |
| **Balance sheet assets** | **796,661** | **803,931** | (1) |
| **Adjustments** | | | |
| Difference in scope of consolidation and tier 1 capital deductions [1] | (13,691) | (13,059) | 5 |
| Derivative financial instruments | 100,504 | 104,604 | (4) |
| Securities financing transactions | (14,023) | (16,215) | (14) |
| Off-balance sheet exposures | 84,662 | 94,312 | (10) |
| **Total adjustments** | **157,452** | **169,642** | (7) |
| **Leverage exposure** | **954,113** | **973,573** | (2) |

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

## BIS leverage metrics – Bank

| end of | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|
| **Capital (CHF million)** | | | |
| CET1 capital | 37,202 | 40,013 | (7) |
| Tier 1 capital | 47,236 | 50,570 | (7) |
| **Leverage exposure (CHF million)** | | | |
| Leverage exposure | 954,113 | 973,573 | (2) |
| **Leverage ratios (%)** | | | |
| CET1 leverage ratio | 3.9 | 4.1 | – |
| Tier 1 leverage ratio | 5.0 | 5.2 | – |

### Swiss capital and leverage metrics – Bank

▸ Refer to "Swiss capital metrics" and "Swiss leverage metrics" for further information.

## Swiss capital and leverage metrics – Bank

| end of | 1Q16 | 4Q15 | Phase-in % change QoQ |
|---|---|---|---|
| **Capital development (CHF million)** | | | |
| CET1 capital | 37,202 | 40,013 | (7) |
| Swiss regulatory adjustments [1] | (119) | (117) | 2 |
| **Swiss CET1 capital** | **37,083** | **39,896** | (7) |
| High-trigger capital instruments | 8,415 [2] | 9,350 | (10) |
| Low-trigger capital instruments | 8,292 [3] | 8,320 | 0 |
| Additional tier 1 and tier 2 instruments subject to phase-out | 4,810 | 5,586 | (14) |
| Deductions from additional tier 1 and tier 2 capital | (2,486) | (3,027) | (18) |
| **Swiss total eligible capital** | **56,114** | **60,125** | (7) |
| **Risk-weighted assets (CHF million)** | | | |
| Risk-weighted assets – Basel III | 276,737 | 286,947 | (4) |
| Swiss regulatory adjustments [4] | 779 | 909 | (14) |
| **Swiss risk-weighted assets** | **277,516** | **287,856** | (4) |
| **Leverage exposure (CHF million)** | | | |
| **Leverage exposure** | **954,113** | **973,573** | (2) |
| **Swiss capital and leverage ratios (%)** | | | |
| Swiss CET1 ratio | 13.4 | 13.9 | – |
| Swiss total capital ratio | 20.2 | 20.9 | – |
| Swiss leverage ratio | 5.9 | 6.2 | – |

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Consists of CHF 5.7 billion additional tier 1 instruments and CHF 2.7 billion tier 2 instruments.
[3] Consists of CHF 4.1 billion additional tier 1 instruments and CHF 4.2 billion tier 2 instruments.
[4] Primarily includes differences in the credit risk multiplier.

## Swiss capital requirements and coverage – Bank

| | | | | | Bank |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 1Q16 |
| **Risk-weighted assets (CHF billion)** | | | | | |
| Swiss risk-weighted assets | – | – | – | – | **277.5** |
| **2016 Swiss capital requirements** [1] | | | | | |
| Minimum Swiss capital ratio | 4.50% | 6.25% [2] | 3.80% | – | **14.55%** |
| Minimum Swiss capital (CHF billion) | 12.5 | 17.3 | 10.6 | – | **40.4** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 12.5 | 11.2 | – | 13.4 | **37.1** |
| High-trigger capital instruments | – | 6.2 | 2.3 | – | **8.4** |
| Low-trigger capital instruments | – | – | 8.3 | – | **8.3** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.8 | **4.8** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.5) | **(2.5)** |
| **Swiss total eligible capital** | **12.5** | **17.3** | **10.6** | **15.7** | **56.1** |
| **Swiss capital ratio (%)** | | | | | |
| Swiss total capital ratio | 4.50% | 6.25% | 3.80% | 5.67% | **20.22%** |

Rounding differences may occur.
[1] The Swiss capital requirements are based on a percentage of RWA.
[2] Excludes the countercyclical buffer that was required as of September 30, 2013. As of the end of 1Q16, the countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 310 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

## Swiss leverage requirements and coverage – Bank

| | | | | | Bank |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 1Q16 |
| **Exposure (CHF billion)** | | | | | |
| Leverage exposure | – | – | – | – | **954.1** |
| **2016 Swiss leverage requirements** | | | | | |
| Minimum Swiss leverage ratio | 1.08% | 1.50% | 0.91% | – | **3.49%** |
| Minimum Swiss capital (CHF billion) | 10.3 | 14.3 | 8.7 | – | **33.3** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 10.3 | 8.3 | – | 18.5 | **37.1** |
| High-trigger capital instruments | – | 6.0 | 0.4 | 2.0 | **8.4** |
| Low-trigger capital instruments | – | – | 8.3 | – | **8.3** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 4.8 | **4.8** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (2.5) | **(2.5)** |
| **Swiss total eligible capital** | **10.3** | **14.3** | **8.7** | **22.8** | **56.1** |
| **Swiss leverage ratio (%)** | | | | | |
| Swiss leverage ratio | 1.08% | 1.50% | 0.91% | 2.39% | **5.88%** |

Rounding differences may occur.

### OTHER REGULATORY DISCLOSURES

In connection with the implementation of Basel III, certain regulatory disclosures for the Group, the Bank, the Bank parent company and Credit Suisse International are required. Additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base of the Group, G-SIB financial indicators, subsidiary regulatory reporting, reconciliation requirements, Pillar 3 disclosures, leverage ratios and certain liquidity disclosures can be found on our website.

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

## SHAREHOLDERS' EQUITY AND SHARE METRICS

### Total shareholders' equity

Our total shareholders' equity increased to CHF 45.0 billion as of the end of 1Q16 compared to CHF 44.4 billion as of the end of 4Q15. Total shareholders' equity was positively impacted by gains on fair value elected liabilities relating to credit risk and an increase in the share-based compensation obligation. These movements were partially offset by foreign exchange-related movements on cumulative translation adjustments and a net loss attributable to shareholders.

▸ Refer to the "Consolidated statements of changes in equity (unaudited)" in III – Condensed consolidated financial statements – unaudited for further information on shareholders' equity.

### Shareholders' equity and share metrics

| | | | % change |
|---|---|---|---|
| End of | **1Q16** | 4Q15 | QoQ |
| **Shareholders' equity (CHF million)** | | | |
| Common shares | 78 | 78 | 0 |
| Additional paid-in capital | 32,318 | 31,925 | 1 |
| Retained earnings | 28,362 | 29,139 | (3) |
| Treasury shares, at cost | (158) | (125) | 26 |
| Accumulated other comprehensive loss | (15,603) | (16,635) | (6) |
| **Total shareholders' equity** | **44,997** | **44,382** | 1 |
| Goodwill | (4,688) | (4,808) | (2) |
| Other intangible assets | (186) | (196) | (5) |
| **Tangible shareholders' equity** [1] | **40,123** | **39,378** | 2 |
| **Shares outstanding (million)** | | | |
| Common shares issued | 1,957.4 | 1,957.4 | 0 |
| Treasury shares | (11.0) | (5.9) | 86 |
| **Shares outstanding** | **1,946.4** | **1,951.5** | 0 |
| **Par value (CHF)** | | | |
| **Par value** | **0.04** | **0.04** | 0 |
| **Book value per share (CHF)** | | | |
| **Total book value per share** | **23.12** | **22.74** | 2 |
| Goodwill per share | (2.41) | (2.46) | (2) |
| Other intangible assets per share | (0.10) | (0.10) | 0 |
| **Tangible book value per share** [1] | **20.61** | **20.18** | 2 |

[1] Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

# Risk management

In 1Q16, our available economic capital decreased 2%, economic risk capital decreased 3%, overall position risk decreased 9% and average risk management VaR in US dollars decreased 10%. Gross impaired loans increased CHF 239 million to CHF 2.2 billion on a gross loan portfolio of CHF 271.4 billion.

## OVERVIEW AND RISK-RELATED DEVELOPMENTS

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Our risk management framework is based on transparency, management accountability and independent oversight.

▸ Refer to "Key risk developments", "Risk management oversight", "Risk appetite framework" and "Risk coverage and management" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2015 for further information and additional details of our current risk management framework and activities, including definitions of certain terms and relevant metrics.

### UK and European Union

During 1Q16, there were uncertainties concerning the outcome of the upcoming referendum in the UK regarding its EU membership. We have been monitoring developments closely and are conducting various scenario analyses capturing factors such as possible impacts on UK gross domestic product, the British pound and interest rates to assess the potential effects on our earnings and capital position.

### Oil and gas sector

Following a significant fall in oil and gas prices and considerable volatility, prices have recently stabilized and were higher than the low point in January. Over half of our exposures to the oil and gas sector are with investment grade counterparties. The decline in energy prices resulted in a deterioration of credit quality and a number of rating downgrades, particularly with respect to non-investment grade counterparties. Exposures to the oil and gas sector are closely monitored, especially to those related to exploration and production activities, which are most directly impacted by commodity prices.

### Brazil

Brazil is facing a severe recession which has been exacerbated by a political crisis, the consequences of corruption investigations and impeachment proceedings against Brazil's president. Given the political uncertainties, it is difficult for the Brazilian government to enact measures to address economic and fiscal policy. While Brazil is an important market for Credit Suisse, we have reduced our risk appetite and continue to carefully monitor our exposure, particularly our corporate loan portfolio.

## ECONOMIC RISK CAPITAL REVIEW

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.

Economic risk capital measures risks in terms of economic realities rather than regulatory or accounting rules and estimates the amount of capital needed to remain solvent and in business under extreme market, business and operating conditions over the period of one year, given our target financial strength (our long-term credit rating). Economic risk capital is set to a level needed to absorb unexpected losses at a confidence level of 99.97%. Our economic risk capital model is a set of methodologies used for measuring quantifiable risks associated with our business activities on a consistent basis. It is calculated separately for position risk (reflecting our exposure to market and credit risks), operational risk and other risks.

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In the event of methodology changes and dataset and model parameter updates, prior-period balances are restated in order to show meaningful trends.

▸ Refer to "Economic risk capital" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on economic risk capital and position risk.

### Methodology and model developments

In 1Q16, there were no changes to the position risk methodology for risk management purposes or the economic risk capital methodology used for capital management purposes.

For available economic capital, we enhanced the economic adjustments to include additional granularity which allows to recognize the funded status for each of our individual pension plans as opposed to their combined funded status. The net impact of this enhancement on available economic capital for the Group as of the end of 4Q15 was an increase of CHF 707 million, or 1.4%.

### Available economic capital trends

As of the end of 1Q16, our available economic capital for the Group was CHF 49.3 billion, down CHF 1.0 billion from the end of 4Q15. BIS look-through CET1 capital decreased CHF 1.2 billion, mainly reflecting increased unrealized gains from fair value of own

debt, a negative foreign exchange impact, a net loss attributable to shareholders for the period and an additional annual 20% phase-in of regulatory deductions, partially offset by the net effect of share-based compensation. Economic adjustments increased CHF 0.1 billion, mainly reflecting increased unrealized gains on owned real estate from increased market value of Swiss property portfolio, partially offset by reduced high-trigger capital notes related to the conversion of CCA to shares.

## Economic risk capital

| | | in / end of | % change |
|---|---|---|---|
| | **1Q16** | 4Q15 | QoQ |
| **Available economic capital (CHF million)** | | | |
| BIS look-through CET1 capital (Basel III) | 31,840 | 32,938 | (3) |
| Economic adjustments [1] | 17,421 | 17,284 | 1 |
| **Available economic capital** | **49,261** | **50,222** | (2) |
| **Economic risk capital (CHF million)** | | | |
| Position risk (99.97% confidence level) | 20,638 | 22,695 | (9) |
| Operational risk | 7,501 | 7,501 | 0 |
| Other risks [2] | 7,090 | 6,018 | 18 |
| **Economic risk capital** | **35,229** | **36,214** | (3) |
| **Economic risk capital coverage ratio (%) [3]** | | | |
| **Economic risk capital coverage ratio** | **140** | **139** | – |
| **Economic risk capital by division (CHF million)** | | | |
| Swiss Universal Bank | 5,096 | 4,924 | 3 |
| International Wealth Management | 4,585 | 4,207 | 9 |
| Asia Pacific | 3,747 | 3,744 | 0 |
| Global Markets | 12,152 | 13,333 | (9) |
| Investment Banking & Capital Markets | 4,050 | 4,732 | (14) |
| Strategic Resolution Unit | 4,868 | 4,913 | (1) |
| Corporate Center [4] | 754 | 383 | 97 |
| **Economic risk capital – Group [5]** | **35,229** | **36,214** | (3) |
| **Average economic risk capital by division (CHF million)** | | | |
| Swiss Universal Bank | 5,010 | 4,794 | 5 |
| International Wealth Management | 4,396 | 4,097 | 7 |
| Asia Pacific | 3,745 | 3,560 | 5 |
| Global Markets | 12,742 | 13,525 | (6) |
| Investment Banking & Capital Markets | 4,391 | 4,606 | (5) |
| Strategic Resolution Unit | 4,891 | 5,031 | (3) |
| Corporate Center [4] | 568 | 385 | 48 |
| **Average economic risk capital – Group [6]** | **35,721** | **35,975** | (1) |

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends. The calculation of divisional economic risk capital under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

[1] Includes primarily high- and low-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to BIS look-through CET1 capital to enable comparison between economic risk capital and available economic capital under the Basel III framework.

[2] Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between available economic capital and economic risk capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain planned methodology changes.

[3] Ratio of available economic capital to economic risk capital.

[4] Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between available economic capital and economic risk capital.

[5] Includes a diversification benefit of CHF 23 million and CHF 22 million as of the end of 1Q16 and 4Q15, respectively.

[6] Includes a diversification benefit of CHF 22 million and CHF 23 million as of the end of 1Q16 and 4Q15, respectively.

### Economic risk capital trends

Over the course of 1Q16, our economic risk capital decreased 3% to CHF 35.2 billion, mainly due to a 9% decrease in position risk, partially offset by an increase in other risks. The decrease in position risk was mainly due to lower risk in real estate & structured assets related to reduced residential mortgage-backed securities (RMBS) and CMBS exposures, lower private banking corporate & retail lending exposures in Switzerland and reduced exposures in emerging markets country event risk. Reductions achieved in 1Q16 in our high yield and distressed credit exposures and collateralized loan obligation (CLO) within fixed income trading in Global Markets had a less material impact on overall position risk for the Group due to the diversification effect across the divisions and risk types, and were further offset by higher interest rate risk from derivatives in the US and Europe. The increase in other risks primarily reflected higher pension risk driven by a change in discount

rates in the Swiss pension plan, increased foreign exchange risk between available economic capital and economic risk capital, and increased owned real estate risk, mainly due to an increase in the fair value of Swiss properties.

For Swiss Universal Bank, economic risk capital increased 3% to CHF 5.1 billion. Excluding the US dollar translation impact, economic risk capital increased 6%, mainly due to higher pension risk and increased owned real estate, partially offset by lower private banking corporate & retail lending exposures.

For International Wealth Management, economic risk capital increased 9% to CHF 4.6 billion. Excluding the US dollar translation impact, economic risk capital increased 11%, mainly reflecting higher pension risk and increased owned real estate risk.

For Asia Pacific, economic risk capital was stable at CHF 3.7 billion. Excluding the US dollar translation impact, economic risk capital increased 3%, mainly due to an increase in risks not included in the position risk framework and higher private banking corporate & retail lending exposures, partially offset by reduced exposures in emerging markets country event risk, lower operational risk and higher benefit from deferred share-based compensation awards.

For Global Markets, economic risk capital decreased 9% to CHF 12.2 billion. Excluding the US dollar translation impact, economic risk capital decreased 6%, primarily reflecting reduced RMBS and CMBS exposures in real estate & structured assets and reduced high yield and distressed credit exposures and CLO in fixed income trading. These decreases were partially offset by higher operational risk.

For Investment Banking & Capital Markets, economic risk capital decreased 14% to CHF 4.1 billion. Excluding the US dollar translation impact, economic risk capital decreased 12%, mainly due to reduced loan exposures to non-investment grade counterparties in international lending & counterparty exposures.

For the Strategic Resolution Unit, economic risk capital decreased 1% to CHF 4.9 billion. Excluding the US dollar translation impact, economic risk capital increased 2%, mainly due to decreased benefit from deferred share-based compensation awards and an increase in risks not included in the position risk framework, partially offset by reduced exposures in emerging markets country event risk.

## Position risk

| | | end of | % change |
|---|---|---|---|
| | **1Q16** | 4Q15 | QoQ |
| **Position risk (CHF million)** | | | |
| Fixed income trading [1] | 1,320 | 1,230 | 7 |
| Equity trading & investments | 1,725 | 1,872 | (8) |
| Private banking corporate & retail lending | 2,366 | 2,751 | (14) |
| International lending & counterparty exposures | 6,208 | 6,306 | (2) |
| Emerging markets country event risk | 1,174 | 1,544 | (24) |
| Real estate & structured assets [2] | 1,363 | 1,917 | (29) |
| **Simple sum across risk categories** | **14,156** | **15,620** | (9) |
| Diversification benefit [3] | (2,455) | (2,776) | (12) |
| **Position risk (99% confidence level for risk management purposes)** | **11,701** | **12,844** | (9) |
| **Position risk (99.97% confidence level for capital management purposes)** | **20,638** | **22,695** | (9) |

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends.

[1] This category comprises fixed income trading, foreign exchange and commodity exposures.

[2] This category comprises commercial and residential real estate (including RMBS and CMBS), asset-backed securities exposure, real estate acquired at auction and real estate fund investments.

[3] Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

### Key position risk trends

Position risk for risk management purposes decreased 9% to CHF 11.7 billion as of the end of 1Q16, compared to the end of 4Q15. Excluding the US dollar translation impact, position risk decreased 6%, mainly due to decreased risk in real estate & structured assets related to reduced RMBS and CMBS exposures, reduced exposures in Latin America in emerging markets country event risk and lower private banking corporate & retail lending exposures in Switzerland. These reductions were partially offset by higher interest rate risk from derivatives in the US and in Europe in fixed income trading.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

## MARKET RISK REVIEW

Market risk is the risk of financial loss arising from movements in market prices. Market risks arise from both our trading and non-trading business activities. The classification of assets into trading book and banking book portfolios determines the approach for analyzing our market risk exposure. Market risk in the trading book is measured using VaR and market risk in our banking book is measured using sensitivity analysis on related market factors.

▸ Refer to "Market risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on market risk including our VaR methodology.

### Trading book

Market risks from our trading book relate to our trading activities primarily in Global Markets. We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products. Some of the structured products are customized transactions using combinations of derivatives and are executed to meet specific client or proprietary needs. As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

VaR is a risk measure which quantifies the potential loss on a given portfolio of financial instruments over a certain holding period that is expected to occur at a certain confidence level. VaR is an important tool in risk management and is used for measuring quantifiable risks from our activities exposed to market risk on a daily basis. In addition, VaR is one of the main risk measures for limit monitoring, financial reporting, calculation of regulatory capital and regulatory backtesting.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 1Q16, we updated our VaR model to capture certain higher order risks for inflation-linked derivatives. These risks were previously included in our risk not in VaR. The cumulative impact of this update on our VaR measures was immaterial and prior periods have not been restated.

We continue to receive regulatory approval for ongoing enhancements to our VaR methodology used for the calculation of regulatory capital, and the model is subject to regular reviews by regulators.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at *www.credit-suisse.com/pillar3*.

The tables entitled "Average one-day, 98% risk management VaR by segment" and "One-day, 98% risk management VaR" show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR in Swiss francs and US dollars. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The different risk types are grouped into five categories including interest rate, credit spread, foreign exchange, commodities and equity.

### Average one-day, 98% risk management VaR by segment

| in | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Strategic Resolution Unit | Diversification benefit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **Average risk management VaR (CHF million)** | | | | | | | |
| 1Q16 | 4 | 1 | 16 | 43 | 8 | (26) | 46 |
| 4Q15 | 4 | 1 | 18 | 56 | 21 | (49) | 51 |
| **Average risk management VaR (USD million)** | | | | | | | |
| 1Q16 | 4 | 1 | 16 | 43 | 9 | (27) | 46 |
| 4Q15 | 4 | 1 | 18 | 57 | 21 | (50) | 51 |

Excludes risks associated with counterparty and own credit exposures. Investment Banking & Capital Markets has only banking book positions. The calculation of divisional average risk management VaR under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

[1] Difference between the sum of the standalone VaR for each division and the VaR for the Group.

## One-day, 98% risk management VaR

| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversification benefit | Total |
|---|---|---|---|---|---|---|---|
| **Risk management VaR (CHF million)** | | | | | | | |
| **1Q16** | | | | | | | |
| Average | 15 | 39 | 11 | 2 | 24 | (45) | 46 |
| Minimum | 13 | 32 | 8 | 1 | 17 | –[1] | 35 |
| Maximum | 20 | 44 | 18 | 3 | 38 | –[1] | 65 |
| End of period | 13 | 33 | 8 | 2 | 18 | (36) | 38 |
| **4Q15** | | | | | | | |
| Average | 21 | 35 | 9 | 2 | 25 | (41) | 51 |
| Minimum | 13 | 33 | 6 | 1 | 17 | –[1] | 43 |
| Maximum | 35 | 42 | 12 | 3 | 35 | –[1] | 60 |
| End of period | 17 | 40 | 9 | 1 | 31 | (42) | 56 |
| **Risk management VaR (USD million)** | | | | | | | |
| **1Q16** | | | | | | | |
| Average | 15 | 39 | 11 | 2 | 24 | (45) | 46 |
| Minimum | 13 | 33 | 8 | 1 | 18 | –[1] | 36 |
| Maximum | 20 | 44 | 18 | 3 | 38 | –[1] | 65 |
| End of period | 14 | 34 | 8 | 2 | 19 | (37) | 40 |
| **4Q15** | | | | | | | |
| Average | 22 | 35 | 9 | 2 | 25 | (42) | 51 |
| Minimum | 13 | 32 | 6 | 1 | 18 | –[1] | 44 |
| Maximum | 35 | 42 | 12 | 3 | 35 | –[1] | 61 |
| End of period | 17 | 40 | 9 | 1 | 32 | (42) | 57 |

Excludes risks associated with counterparty and own credit exposures.
[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

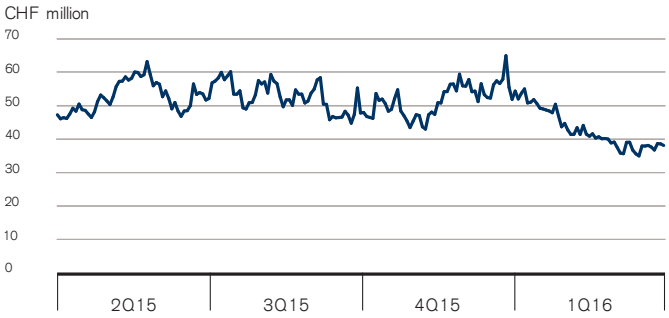
We measure VaR in US dollars, as a majority of our trading activities are conducted in US dollars.

Average risk management VaR decreased 10% to USD 46 million from 4Q15, driven by reduced interest rate exposures from European derivatives, partially offset by increased credit spread risk due to higher market volatility. For Global Markets, average risk management VaR decreased mainly driven by reductions in credit exposures in the US and in Europe. For Asia Pacific, the decrease in average risk management VaR was primarily driven by reduced risk in equity derivatives. For the Strategic Resolution Unit, lower average risk management VaR was primarily driven by reduced interest rate exposures from European derivatives.

Period-end risk management VaR decreased 30% to USD 40 million from 4Q15, mainly driven by reduced equity exposures due to lower risk in European and Asian derivatives, reduced exposures in credit products and CMBS in the US and in Europe as well as the reduced interest rate exposures from European derivatives, partially offset by decreased diversification benefit.

The chart entitled “Daily risk management VaR” shows the aggregated market risk in our trading book on a consolidated basis.

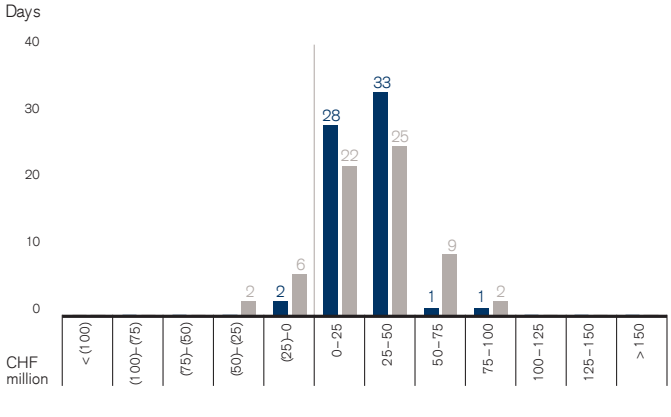
## Daily risk management VaR (rolling four quarters)




Excludes risks associated with counterparty and own credit exposures.

The histogram entitled “Actual daily trading revenues” compares the actual daily trading revenues for 1Q16 with those for 4Q15. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. We had two trading loss days in 1Q16 and eight trading loss days in 4Q15.

### Actual daily trading revenues




■ 1Q16 ■ 4Q15

Trading revenues exclude Neue Aargauer Bank AG and valuation adjustments associated with counterparty and own credit exposures.

#### VaR backtesting

Various techniques are used to assess the accuracy of the VaR methodology used for risk management and regulatory capital purposes. Backtesting is used to assess the accuracy of the regulatory VaR model. The purpose of the VaR backtesting process is to assess the accuracy and performance of our regulatory VaR model, to assess if our regulatory capital is sufficient to absorb actual losses, and to encourage developments to our VaR model. Backtesting involves comparing the results produced from the VaR model with the actual daily trading revenues and with a subset of the actual daily trading revenues for capital purposes. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period calculated using the subset of the actual daily trading revenues. In the rolling 12-month period through the end of 1Q16, we had three backtesting exceptions in our regulatory VaR model calculated using the subset of actual daily trading revenues. Since there were fewer than five backtesting exceptions in the rolling 12-month period through the end of 1Q16, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

▸ Refer to “Market risk” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on VaR backtesting.

▸ Refer to “Risk measurement models” in Capital management – Regulatory capital framework for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

#### Banking book

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

Interest rate risk on banking book positions is measured by estimating the impact resulting from a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions. The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions would have been an increase of CHF 3.2 million as of the end of 1Q16, compared to an increase of CHF 3.3 million as of the end of 4Q15.

## CREDIT RISK REVIEW

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management. The majority of our credit risk is concentrated in the private banking, corporate and institutional businesses and in the investment banking businesses.

▸ Refer to “Credit risk” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management in the Credit Suisse Annual Report 2015 for further information on credit risk.

▸ Refer to “Credit risk review” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results in the Credit Suisse Annual Report 2015 for further information on credit risk measures.

▸ Refer to “Note 17 – Loans, allowance for loan losses and credit quality” in III – Condensed consolidated financial statements – unaudited for further information on loans and impaired loans.

▸ Refer to “Note 29 – Financial instruments” in III – Condensed consolidated financial statements – unaudited for further information on counterparty credit risk.

### Loans

Compared to the end of 4Q15, gross loans decreased CHF 2.6 billion to CHF 271.4 billion as of the end of 1Q16, mainly driven by lower loans collateralized by securities and lower loans to financial institutions, partially offset by higher loans to governments and public institutions and higher residential mortgages. The net decrease of CHF 2.9 billion in loans collateralized by securities was driven by the Strategic Resolution Unit, Swiss Universal Bank, International Wealth Management and Asia Pacific. Loans to financial institutions decreased CHF 0.7 billion, primarily in the Strategic Resolution Unit. Loans to governments and public institutions increased CHF 0.5 billion, primarily in Asia Pacific. Residential mortgages increased CHF 0.4 billion, primarily in Swiss Universal Bank and International Wealth Management, partially offset by a decrease in the Strategic Resolution Unit. The US dollar translation impact on gross loans was negative across all divisions.

On a divisional level, decreases in gross loans of CHF 2.9 billion in the Strategic Resolution Unit and CHF 0.5 billion in Asia Pacific were partially offset by an increase of CHF 0.5 billion in Global Markets. Swiss Universal Bank, International Wealth Management and Investment Banking & Capital Markets were stable compared to the end of 4Q15.

## Loans

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **1Q16 (CHF million)** | | | | | | | |
| Mortgages | 98,005 | 4,181 | 1,060 | 0 | 0 | 349 | 103,595 |
| Loans collateralized by securities | 6,995 | 16,149 | 10,726 | 0 | 522 | 676 | 35,068 |
| Consumer finance | 2,898 | 523 | 19 | 26 | 0 | 109 | 3,575 |
| Consumer | 107,898 | 20,853 | 11,805 | 26 | 522 | 1,134 | 142,238 |
| Real estate | 24,325 | 968 | 288 | 661 | 417 | 134 | 26,793 |
| Commercial and industrial loans | 27,307 | 15,845 | 20,893 | 5,656 | 4,586 | 3,340 | 77,627 |
| Financial institutions | 4,170 | 1,264 | 1,502 | 10,252 | 1,275 | 2,209 | 20,672 |
| Governments and public institutions | 811 | 163 | 975 | 761 | 0 | 1,330 | 4,040 |
| Corporate & institutional | 56,613 [1] | 18,240 [2] | 23,658 | 17,330 | 6,278 | 7,013 | 129,132 |
| **Gross loans** | **164,511** | **39,093** | **35,463** | **17,356** | **6,800** | **8,147** | **271,370** |
| of which held at fair value | 185 | 194 | 4,875 | 7,826 | 3,237 | 5,204 | 21,521 |
| Net (unearned income) / deferred expenses | 15 | (98) | (31) | (40) | (6) | 0 | (160) |
| Allowance for loan losses [3] | (455) | (83) | (37) | (90) | (59) | (238) | (962) |
| **Net loans** | **164,071** | **38,912** | **35,395** | **17,226** | **6,735** | **7,909** | **270,248** |
| **4Q15 (CHF million)** [4] | | | | | | | |
| Mortgages | 97,529 | 3,994 | 1,039 | 0 | 0 | 602 | 103,164 |
| Loans collateralized by securities | 7,775 | 16,762 | 11,167 | 0 | 554 | 1,688 | 37,946 |
| Consumer finance | 2,971 | 433 | 29 | 28 | 1 | 304 | 3,766 |
| Consumer | 108,275 | 21,189 | 12,235 | 28 | 555 | 2,594 | 144,876 |
| Real estate | 23,510 | 858 | 329 | 627 | 537 | 590 | 26,451 |
| Commercial and industrial loans | 27,605 | 15,688 | 21,102 | 5,403 | 4,173 | 3,796 | 77,767 |
| Financial institutions | 4,097 | 1,279 | 1,654 | 10,131 | 1,447 | 2,726 | 21,334 |
| Governments and public institutions | 842 | 63 | 593 | 694 | 0 | 1,386 | 3,578 |
| Corporate & institutional | 56,054 [1] | 17,888 [2] | 23,678 | 16,855 | 6,157 | 8,498 | 129,130 |
| **Gross loans** | **164,329** | **39,077** | **35,913** | **16,883** | **6,712** | **11,092** | **274,006** |
| of which held at fair value | 81 | 202 | 4,724 | 7,198 | 2,871 | 5,744 | 20,820 |
| Net (unearned income) / deferred expenses | 0 | (78) | (26) | (35) | (6) | 0 | (145) |
| Allowance for loan losses [3] | (479) | (87) | (58) | (42) | (14) | (186) | (866) |
| **Net loans** | **163,850** | **38,912** | **35,829** | **16,806** | **6,692** | **10,906** | **272,995** |

[1] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 43,988 million and CHF 44,007 million as of the end of 1Q16 and 4Q15, respectively.
[2] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 15,558 million and CHF 15,763 million as of the end of 1Q16 and 4Q15, respectively.
[3] Allowance for loan losses are only based on loans which are not carried at fair value.
[4] Prior period reflects reclassifications of loans: net loans of CHF 3.4 billion were reclassified from Investment Banking & Capital Markets to Global Markets in line with a revenue sharing agreement on this loan portfolio; net loans of CHF 552 million, CHF 84 million and CHF 62 million from International Wealth Management, Asia Pacific and Swiss Universal Bank, respectively, were reclassified to the Strategic Resolution Unit.

### Impaired loans

Compared to the end of 4Q15, gross impaired loans increased CHF 239 million to CHF 2.2 billion as of the end of 1Q16, mainly driven by new potential problem loans, primarily in Global Markets and Investment Banking & Capital Markets, and higher non-performing loans in International Wealth Management and the Strategic Resolution Unit. These increases were partially offset by repayments, upgrades to performing loans and write-offs.

On a divisional level, the increase in gross impaired loans compared to the end of 4Q15 was primarily driven by Global Markets, Investment Banking & Capital Markets and International Wealth Management, partially offset by decreases in Swiss Universal Bank and Asia Pacific. In Global Markets and Investment Banking & Capital Markets, gross impaired loans increased CHF 116 million and CHF 105 million, respectively, primarily driven by new potential problem exposures within the oil and gas sector. In International Wealth Management, gross impaired loans increased CHF 82 million, primarily driven by new impaired commercial mortgages in Western Europe and a new impaired loan in aviation leasing. In the Strategic Resolution Unit, gross impaired loans increased CHF 15 million, primarily driven by new impaired loans in ship finance. In Swiss Universal Bank, gross impaired loans decreased CHF 46 million, primarily driven by write-offs. In Asia Pacific, gross impaired loans decreased CHF 33 million, primarily driven by the repayment of a non-performing loan.

## Impaired loans

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **1Q16 (CHF million)** | | | | | | | |
| Non-performing loans | 414 | 159 | 176 | 67 | 45 | 185 | 1,046 |
| Non-interest-earning loans | 165 | 30 | 2 | 0 | 0 | 36 | 233 |
| Non-performing and non-interest-earning loans | 579 | 189 | 178 | 67 | 45 | 221 | 1,279 |
| Restructured loans | 42 | 46 | 8 | 8 | 6 | 178 | 288 |
| Potential problem loans | 145 | 80 | 12 | 145 | 112 | 151 | 645 |
| Other impaired loans | 187 | 126 | 20 | 153 | 118 | 329 | 933 |
| **Gross impaired loans** [1] | **766** | **315** | **198** | **220** | **163** | **550** | **2,212** |
| of which loans with a specific allowance | 687 | 131 | 179 | 210 | 155 | 486 | 1,848 |
| of which loans without a specific allowance | 79 | 184 | 19 | 10 | 8 | 64 | 364 |
| **4Q15 (CHF million)** [2] | | | | | | | |
| Non-performing loans | 414 | 92 | 207 | 72 | 40 | 158 | 983 |
| Non-interest-earning loans | 201 | 33 | 3 | 0 | 0 | 35 | 272 |
| Non-performing and non-interest-earning loans | 615 | 125 | 210 | 72 | 40 | 193 | 1,255 |
| Restructured loans | 49 | 49 | 8 | 6 | 5 | 165 | 282 |
| Potential problem loans | 148 | 59 | 13 | 26 | 13 | 177 | 436 |
| Other impaired loans | 197 | 108 | 21 | 32 | 18 | 342 | 718 |
| **Gross impaired loans** [1] | **812** | **233** | **231** | **104** | **58** | **535** | **1,973** |
| of which loans with a specific allowance | 745 | 130 | 229 | 45 | 10 | 451 | 1,610 |
| of which loans without a specific allowance | 67 | 103 | 2 | 59 | 48 | 84 | 363 |

[1] Impaired loans are only based on loans which are not carried at fair value.
[2] Prior period reflects reclassifications of gross impaired loans: gross impaired loans of CHF 70 million were reclassified from Investment Banking & Capital Markets to Global Markets in line with a revenue sharing agreement on these loans; gross impaired loans of CHF 76 million, CHF 30 million, CHF 12 million and CHF 8 million from International Wealth Management, Global Markets, Asia Pacific and Swiss Universal Bank, respectively, were reclassified to the Strategic Resolution Unit.

## Allowance for loan losses

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **1Q16 (CHF million)** | | | | | | | |
| **Allowance for loan losses at beginning of period** [1] | **479** [2] | **87** [2] | **58** [2] | **42** [2] | **14** [2] | **186** [2] | **866** |
| of which individually evaluated for impairment | 346 | 55 | 46 | 19 | 3 | 181 | 650 |
| of which collectively evaluated for impairment | 133 | 32 | 12 | 23 | 11 | 5 | 216 |
| Net movements recognized in statements of operations | 13 | (5) | (22) | 54 | 46 | 40 | 126 |
| Gross write-offs | (34) | 0 | 0 | (3) | 0 | (2) | (39) |
| Recoveries | 2 | 1 | 1 | 0 | 1 | 18 | 23 |
| Net write-offs | (32) | 1 | 1 | (3) | 1 | 16 | (16) |
| Provisions for interest | (1) | 0 | 2 | 0 | 1 | 0 | 2 |
| Foreign currency translation impact and other adjustments, net | (4) | 0 | (2) | (3) | (3) | (4) | (16) |
| **Allowance for loan losses at end of period** [1] | **455** | **83** | **37** | **90** | **59** | **238** | **962** |
| of which individually evaluated for impairment | 322 | 51 | 23 | 57 | 34 | 237 | 724 |
| of which collectively evaluated for impairment | 133 | 32 | 14 | 33 | 25 | 1 | 238 |

[1] Allowance for loan losses are only based on loans which are not carried at fair value.
[2] Prior period reflects reclassifications of allowance for loan losses: an allowance for loan losses of CHF 15 million was reclassified from Investment Banking & Capital Markets to Global Markets in line with a revenue sharing agreement on the related loans; allowances for loan losses of CHF 22 million, CHF 6 million, CHF 3 million and CHF 3 million from International Wealth Management, Global Markets, Asia Pacific and Swiss Universal Bank, respectively, have been reclassified to the Strategic Resolution Unit.

## Loan metrics

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **1Q16 (%)** | | | | | | | |
| Non-performing and non-interest-earning loans / Gross loans [1] | 0.4 | 0.5 | 0.6 | 0.7 | 1.3 | 7.5 | 0.5 |
| Gross impaired loans / Gross loans [1] | 0.5 | 0.8 | 0.6 | 2.3 | 4.6 | 18.7 | 0.9 |
| Allowance for loan losses / Gross loans [1, 2] | 0.3 | 0.2 | 0.1 | 0.9 | 1.7 | 8.1 | 0.4 |
| Specific allowance for loan losses / Gross impaired loans [1, 2] | 42.0 | 16.2 | 11.6 | 25.9 | 20.9 | 43.1 | 32.7 |
| **4Q15 (%)** | | | | | | | |
| Non-performing and non-interest-earning loans / Gross loans [1] | 0.4 | 0.3 | 0.7 | 0.7 | 1.0 | 3.6 | 0.5 |
| Gross impaired loans / Gross loans [1] | 0.5 | 0.6 | 0.7 | 1.1 | 1.5 | 10.0 | 0.8 |
| Allowance for loan losses / Gross loans [1, 2] | 0.3 | 0.2 | 0.2 | 0.4 | 0.4 | 3.5 | 0.3 |
| Specific allowance for loan losses / Gross impaired loans [1, 2] | 42.6 | 23.6 | 19.9 | 18.3 | 5.2 | 33.8 | 32.9 |

[1] Excludes loans carried at fair value.
[2] Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.

## SELECTED EUROPEAN CREDIT RISK EXPOSURES

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion.

▸ Refer to "Selected European credit risk exposures" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results in the Credit Suisse Annual Report 2015 for further information on selected European credit risk exposures.

### Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our overall risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses of our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our over-the-counter (OTC) derivative and reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from G7 and non-G7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

### Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Cyprus, Croatia, Greece, Ireland, Italy, Malta, Portugal and Spain as of the end of 1Q16 was EUR 3.9 billion, up from EUR 3.7 billion as of the end of 4Q15. Our net exposure to these sovereigns was EUR 1.0 billion, up from EUR 0.8 billion as of the end of 4Q15. Our non-sovereign risk-based credit risk exposure in these countries as of the end of 1Q16 included net exposure to financial institutions of EUR 2.9 billion and to corporates and other counterparties of EUR 1.1 billion, compared to EUR 3.7 billion and EUR 1.3 billion, respectively, as of the end of 4Q15.

▸ Refer to "Selected European credit risk exposures" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results in the Credit Suisse Annual Report 2015 for further information on the presentation of selected European credit risk exposures.

### Sovereign debt rating developments

In 1Q16, the long-term sovereign debt ratings of the countries listed in the table were affected as follows: Standard & Poor's increased Greece's rating from CCC+ to B-. Fitch increased Ireland's rating from A- to A and Moody's lowered Croatia's rating from BA1 to BA2. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

## Selected European credit risk exposures

| | Gross credit risk exposure | Risk mitigation | | Net credit risk exposure | Inventory [2] | | Total credit risk exposure | |
|---|---|---|---|---|---|---|---|---|
| **end of 1Q16** | | CDS | Other [1] | | | Net synthetic inventory [3] | **Gross** | **Net** |
| **Croatia (EUR million)** | | | | | | | | |
| Sovereign | 307 | 12 | 263 | 32 | 0 | (101) | 307 | 32 |
| Corporates & other | 51 | 0 | 1 | 50 | 0 | 0 | 51 | 50 |
| **Total** | **358** | **12** | **264** | **82** | **0** | **(101)** | **358** | **82** |
| **Cyprus (EUR million)** | | | | | | | | |
| Financial institutions | 10 | 0 | 9 | 1 | 0 | 0 | 10 | 1 |
| Corporates & other | 1,048 | 0 | 1,029 | 19 | 0 | 0 | 1,048 | 19 |
| **Total** | **1,058** | **0** | **1,038** | **20** | **0** | **0** | **1,058** | **20** |
| **Greece (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 |
| Financial institutions | 105 | 0 | 104 | 1 | 1 | 0 | 106 | 2 |
| Corporates & other | 889 | 0 | 868 | 21 | 25 | (48) | 914 | 46 |
| **Total** | **994** | **0** | **972** | **22** | **26** | **(42)** | **1,020** | **48** |
| **Ireland (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 7 | 11 | 7 | 7 |
| Financial institutions | 1,617 | 12 | 414 | 1,191 | 237 | (84) | 1,854 | 1,428 |
| Corporates & other | 976 | 107 | 727 | 142 | 29 | (90) | 1,005 | 171 |
| **Total** | **2,593** | **119** | **1,141** | **1,333** | **273** | **(163)** | **2,866** | **1,606** |
| **Italy (EUR million)** | | | | | | | | |
| Sovereign | 3,521 | 2,409 | 189 | 923 | 0 | (632) | 3,521 | 923 |
| Financial institutions | 1,399 | 1 | 873 | 525 | 34 | (7) | 1,433 | 559 |
| Corporates & other | 2,861 | 86 | 2,374 | 401 | 54 | (179) | 2,915 | 455 |
| **Total** | **7,781** | **2,496** | **3,436** | **1,849** | **88** | **(818)** | **7,869** | **1,937** |
| **Malta (EUR million)** | | | | | | | | |
| Financial institutions | 2 | 0 | 0 | 2 | 0 | 0 | 2 | 2 |
| Corporates & other | 566 | 0 | 566 | 0 | 0 | 0 | 566 | 0 |
| **Total** | **568** | **0** | **566** | **2** | **0** | **0** | **568** | **2** |
| **Portugal (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 18 | 14 | 18 | 18 |
| Financial institutions | 158 | 0 | 153 | 5 | 11 | (9) | 169 | 16 |
| Corporates & other | 201 | 5 | 110 | 86 | 4 | (51) | 205 | 90 |
| **Total** | **359** | **5** | **263** | **91** | **33** | **(46)** | **392** | **124** |
| **Spain (EUR million)** | | | | | | | | |
| Sovereign | 14 | 0 | 0 | 14 | 3 | (53) | 17 | 17 |
| Financial institutions | 1,570 | 1 | 746 | 823 | 82 | (205) | 1,652 | 905 |
| Corporates & other | 1,576 | 10 | 1,300 | 266 | 9 | (256) | 1,585 | 275 |
| **Total** | **3,160** | **11** | **2,046** | **1,103** | **94** | **(514)** | **3,254** | **1,197** |
| **Total (EUR million)** | | | | | | | | |
| Sovereign | 3,842 | 2,421 | 452 | 969 | 28 | (755) | 3,870 | 997 |
| Financial institutions | 4,861 | 14 | 2,299 | 2,548 | 365 | (305) | 5,226 | 2,913 |
| Corporates & other | 8,168 | 208 | 6,975 | 985 | 121 | (624) | 8,289 | 1,106 |
| **Total** | **16,871** | **2,643** | **9,726** | **4,502** | **514** | **(1,684)** | **17,385** | **5,016** |

[1] Includes other hedges (derivative instruments), guarantees, insurance and collateral.
[2] Represents long inventory positions netted at issuer level.
[3] Substantially all of which results from CDS; represents long positions net of short positions.

# Balance sheet and off-balance sheet

Total assets were CHF 813.9 billion, total liabilities were CHF 768.5 billion and total equity was CHF 45.4 billion. Total assets were down 1% and total liabilities were down 1% for the quarter, reflecting the foreign exchange translation impact, partially offset by higher operating activities. The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

## BALANCE SHEET

Total assets were CHF 813.9 billion as of the end of 1Q16, down CHF 6.9 billion, or 1%, from the end of 4Q15, reflecting the foreign exchange translation impact, partially offset by higher operating activities. Excluding the foreign exchange translation impact, total assets increased CHF 8.1 billion.

Compared to the end of 4Q15, trading assets decreased CHF 3.2 billion, or 2%, mainly reflecting the foreign exchange translation impact and lower debt securities, partially offset by an increase in equity securities and derivative instruments. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions increased CHF 13.2 billion, or 11%, mainly driven by an increase in reverse repurchase transactions with customers, partially offset by the foreign exchange translation impact. Cash and due from banks increased CHF 1.9 billion, or 2%, mainly driven by higher cash positions at the SNB, partially offset by the foreign exchange translation impact. Brokerage receivables increased CHF 1.0 billion, or 3%, mainly driven by an increase in open trades, partially offset by the foreign exchange translation impact. Net loans were stable. All other assets decreased CHF 17.0 billion, or 16%, mainly reflecting the deconsolidation of certain VIEs as a result of the implementation of ASU 2015-02 as of January 1, 2016, securities received as collateral and the foreign exchange translation impact.

### Balance sheet summary

| | | end of | % change |
|---|---|---|---|
| | **1Q16** | 4Q15 | QoQ |
| **Assets (CHF million)** | | | |
| Cash and due from banks | 94,210 | 92,328 | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 136,211 | 123,049 | 11 |
| Trading assets | 187,550 | 190,737 | (2) |
| Net loans | 270,248 | 272,995 | (1) |
| Brokerage receivables | 35,504 | 34,542 | 3 |
| All other assets | 90,175 | 107,154 | (16) |
| **Total assets** | **813,898** | **820,805** | (1) |
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 23,961 | 21,054 | 14 |
| Customer deposits | 344,545 | 342,705 | 1 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 40,150 | 46,598 | (14) |
| Trading liabilities | 53,582 | 48,971 | 9 |
| Long-term debt | 183,490 | 197,608 | (7) |
| Brokerage payables | 41,880 | 39,452 | 6 |
| All other liabilities | 80,843 | 79,399 | 2 |
| **Total liabilities** | **768,451** | **775,787** | (1) |
| **Total shareholders' equity** | **44,997** | **44,382** | 1 |
| Noncontrolling interests | 450 | 636 | (29) |
| **Total equity** | **45,447** | **45,018** | 1 |
| **Total liabilities and equity** | **813,898** | **820,805** | (1) |

Total liabilities were CHF 768.5 billion as of the end of 1Q16, down CHF 7.3 billion, or 1%, from the end of 4Q15, reflecting the foreign exchange translation impact, partially offset by higher operating activities. Excluding the foreign exchange translation impact, total liabilities increased CHF 7.5 billion.

Compared to the end of 4Q15, long-term debt decreased CHF 14.1 billion, or 7%, primarily driven by the deconsolidation of certain VIEs as a result of the implementation of ASU 2015-02 as of January 1, 2016 and the foreign exchange translation impact. Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions decreased CHF 6.4 billion, or 14%, driven by a decrease in repurchase transactions with customers and the foreign exchange translation impact. Trading liabilities increased CHF 4.6 billion, or 9%, mainly reflecting an increase in short positions and an increase in derivatives, partially offset by the foreign exchange translation impact. Due to banks increased CHF 2.9 billion, or 14%, mainly driven by an increase in borrowings with banks and increase in time deposits. Brokerage payables increased by CHF 2.4 billion, or 6%, mainly reflecting an increase in failed settlements and payables on open trades and futures transactions, partially offset by the foreign exchange translation impact. Customer deposits were stable.

All other liabilities increased CHF 1.4 billion, or 2%, reflecting an increase in short-term borrowings, partially offset by a decrease in obligation to return securities received as collateral, a decrease in other liabilities and the foreign exchange translation impact.

▸ Refer to “Funding sources and uses” in Liquidity and funding management and “Capital management” for further information, including our funding of the balance sheet and the leverage ratio.

## OFF-BALANCE SHEET

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with special purpose entities (SPEs), and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

▸ Refer to “Liquidity and funding management” in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 and “Note 27 – Guarantees and commitments” and “Note 31 – Litigation” in III – Condensed consolidated financial statements – unaudited for further information.

II

# Condensed consolidated financial statements – unaudited

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## Notes to the condensed consolidated financial statements – unaudited


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Report of Independent Registered Public Accounting Firm to the Board of Directors of

**Credit Suisse Group AG, Zurich**

We have reviewed the accompanying condensed consolidated balance sheets of Credit Suisse Group AG and subsidiaries (the "Group") as of March 31, 2016 and 2015, and the related condensed consolidated statements of operations, changes in equity, comprehensive income and cash flows for the three-month periods ended March 31, 2016 and 2015. These condensed consolidated financial statements are the responsibility of the Group's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Group as of December 31, 2015, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated March 24, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG AG

Nicholas Edmonds
*Licensed Audit Expert*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
May 10, 2016

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# Condensed consolidated financial statements – unaudited

## Consolidated statements of operations (unaudited)

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | |
| Interest and dividend income | 4,585 | 4,526 | 4,490 |
| Interest expense | (2,574) | (2,332) | (2,338) |
| Net interest income | 2,011 | 2,194 | 2,152 |
| Commissions and fees | 2,675 | 2,914 | 2,979 |
| Trading revenues | (271) | (1,349) | 1,390 |
| Other revenues | 223 | 451 | 126 |
| **Net revenues** | **4,638** | **4,210** | **6,647** |
| **Provision for credit losses** | **150** | **133** | **30** |
| Compensation and benefits | 2,482 | 3,149 | 2,976 |
| General and administrative expenses | 1,848 | 2,808 | 1,738 |
| Commission expenses | 387 | 409 | 392 |
| Goodwill impairment | 0 | 3,797 | 0 |
| Restructuring expenses | 255 | 355 | – |
| Total other operating expenses | 2,490 | 7,369 | 2,130 |
| **Total operating expenses** | **4,972** | **10,518** | **5,106** |
| **Income/(loss) before taxes** | **(484)** | **(6,441)** | **1,511** |
| Income tax expense/(benefit) | (179) | (627) | 477 |
| **Net income/(loss)** | **(305)** | **(5,814)** | **1,034** |
| Net income/(loss) attributable to noncontrolling interests | (3) | 14 | (20) |
| **Net income/(loss) attributable to shareholders** | **(302)** | **(5,828)** | **1,054** |
| | | | |
| **Earnings/(loss) per share (CHF)** | | | |
| Basic earnings/(loss) per share | (0.15) | (3.28) | 0.62 |
| Diluted earnings/(loss) per share | (0.15) | (3.28) | 0.60 |

## Consolidated statements of comprehensive income (unaudited)

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Comprehensive income/(loss) (CHF million)** | | | |
| Net income/(loss) | (305) | (5,814) | 1,034 |
| Gains/(losses) on cash flow hedges | 46 | (45) | 8 |
| Foreign currency translation | (855) | 270 | (1,493) |
| Unrealized gains/(losses) on securities | 5 | (2) | 10 |
| Actuarial gains/(losses) | 105 | (915) | 89 |
| Net prior service credit/(cost) | (28) | 218 | (21) |
| Gains/(losses) on liabilities related to credit risk | 1,266 | – | – |
| Other comprehensive income/(loss), net of tax | 539 | (474) | (1,407) |
| **Comprehensive income/(loss)** | **234** | **(6,288)** | **(373)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (21) | 24 | (44) |
| **Comprehensive income/(loss) attributable to shareholders** | **255** | **(6,312)** | **(329)** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited)

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Assets (CHF million)** | | |
| Cash and due from banks | 94,210 | 92,328 |
| of which reported at fair value | 193 | 89 |
| of which reported from consolidated VIEs | 314 | 1,693 |
| Interest-bearing deposits with banks | 868 | 867 |
| of which reported at fair value | 2 | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 136,211 | 123,049 |
| of which reported at fair value | 92,788 | 83,565 |
| of which reported from consolidated VIEs | 0 | 53 |
| Securities received as collateral, at fair value | 25,760 | 28,511 |
| of which encumbered | 21,377 | 27,940 |
| Trading assets, at fair value | 187,550 | 190,737 |
| of which encumbered | 59,810 | 62,559 |
| of which reported from consolidated VIEs | 3,144 | 2,372 |
| Investment securities | 3,143 | 3,090 |
| of which reported at fair value | 3,143 | 3,090 |
| of which reported from consolidated VIEs | 1,066 | 1,009 |
| Other investments | 6,294 | 7,021 |
| of which reported at fair value | 3,646 | 4,237 |
| of which reported from consolidated VIEs | 2,175 | 1,986 |
| Net loans | 270,248 | 272,995 |
| of which reported at fair value | 21,521 | 20,820 |
| of which encumbered | 108 | 108 |
| of which reported from consolidated VIEs | 353 | 1,312 |
| allowance for loan losses | (962) | (866) |
| Premises and equipment | 4,609 | 4,644 |
| of which reported from consolidated VIEs | 288 | 327 |
| Goodwill | 4,688 | 4,808 |
| Other intangible assets | 186 | 196 |
| of which reported at fair value | 106 | 112 |
| Brokerage receivables | 35,504 | 34,542 |
| Other assets | 44,627 | 58,017 |
| of which reported at fair value | 13,308 | 25,627 |
| of which encumbered | 421 | 671 |
| of which reported from consolidated VIEs | 3,778 | 14,451 |
| **Total assets** | **813,898** | **820,805** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited) (continued)

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Liabilities and equity (CHF million)** | | |
| Due to banks | 23,961 | 21,054 |
| of which reported at fair value | 499 | 482 |
| Customer deposits | 344,545 | 342,705 |
| of which reported at fair value | 3,529 | 3,663 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 40,150 | 46,598 |
| of which reported at fair value | 25,421 | 32,398 |
| Obligation to return securities received as collateral, at fair value | 25,760 | 28,511 |
| Trading liabilities, at fair value | 53,582 | 48,971 |
| of which reported from consolidated VIEs | 22 | 27 |
| Short-term borrowings | 14,768 | 8,657 |
| of which reported at fair value | 3,185 | 3,112 |
| of which reported from consolidated VIEs | 34 | 81 |
| Long-term debt | 183,490 | 197,608 |
| of which reported at fair value | 69,104 | 80,931 |
| of which reported from consolidated VIEs | 2,147 | 14,826 |
| Brokerage payables | 41,880 | 39,452 |
| Other liabilities | 40,315 | 42,231 |
| of which reported at fair value | 10,867 | 11,754 |
| of which reported from consolidated VIEs | 1,115 | 836 |
| **Total liabilities** | **768,451** | **775,787** |
| Common shares | 78 | 78 |
| Additional paid-in capital | 32,318 | 31,925 |
| Retained earnings | 28,362 | 29,139 |
| Treasury shares, at cost | (158) | (125) |
| Accumulated other comprehensive income/(loss) | (15,603) | (16,635) |
| **Total shareholders' equity** | **44,997** | **44,382** |
| Noncontrolling interests | 450 | 636 |
| **Total equity** | **45,447** | **45,018** |
| **Total liabilities and equity** | **813,898** | **820,805** |

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Additional share information** | | |
| Par value (CHF) | 0.04 | 0.04 |
| Authorized shares [1] | 2,666,152,845 | 2,666,152,845 |
| Common shares issued | 1,957,379,244 | 1,957,379,244 |
| Treasury shares | (10,939,863) | (5,910,224) |
| Shares outstanding | 1,946,439,381 | 1,951,469,020 |

[1] Includes issued shares and unissued shares (conditional, conversion and authorized capital).

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **1Q16 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **78** | **31,925** | **29,139** | **(125)** | **(16,635)** | **44,382** | **636** | **45,018** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (10) | (10) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 64 | 64 |
| Net income/(loss) | – | – | (302) | – | – | (302) | (3) | (305) |
| Cumulative effect of accounting changes, net of tax | – | – | (475) | – | 475 | – | – | – |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 557 | 557 | (18) | 539 |
| Sale of treasury shares | – | (65) | – | 3,002 | – | 2,937 | – | 2,937 |
| Repurchase of treasury shares | – | – | – | (3,047) | – | (3,047) | – | (3,047) |
| Share-based compensation, net of tax | – | 483 [3] | – | 12 | – | 495 | – | 495 |
| Financial instruments indexed to own shares [4] | – | (27) | – | – | – | (27) | – | (27) |
| Change in scope of consolidation, net | – | – | – | – | – | – | (219) | (219) |
| Other | – | 2 | – | – | – | 2 | – | 2 |
| **Balance at end of period** | **78** | **32,318** | **28,362** | **(158)** | **(15,603)** | **44,997** | **450** | **45,447** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax benefit of CHF 20 million from the excess fair value of shares delivered over recognized compensation expense.
[4] Includes certain call options the Group purchased on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **4Q15 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **65** | **25,994** | **34,967** | **(118)** | **(16,151)** | **44,757** | **743** | **45,500** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (135) | (135) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 5 | 5 |
| Net income/(loss) | – | – | (5,828) | – | – | (5,828) | 14 | (5,814) |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (484) | (484) | 10 | (474) |
| Issuance of common shares | 13 | 6,021 | – | – | – | 6,034 | – | 6,034 |
| Sale of treasury shares | – | (28) | – | 6,543 | – | 6,515 | – | 6,515 |
| Repurchase of treasury shares | – | – | – | (6,571) | – | (6,571) | – | (6,571) |
| Share-based compensation, net of tax | – | 258 | – | 21 | – | 279 | – | 279 |
| Financial instruments indexed to own shares | – | (108) | – | – | – | (108) | – | (108) |
| Other | – | (212) | – | – | – | (212) | (1) | (213) |
| **Balance at end of period** | **78** | **31,925** | **29,139** | **(125)** | **(16,635)** | **44,382** | **636** | **45,018** |
| **1Q15 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,007** | **32,083** | **(192)** | **(15,003)** | **43,959** | **1,042** | **45,001** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (122) | (122) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 15 | 15 |
| Net income/(loss) | – | – | 1,054 | – | – | 1,054 | (20) | 1,034 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (1,383) | (1,383) | (24) | (1,407) |
| Sale of treasury shares | – | (10) | – | 1,833 | – | 1,823 | – | 1,823 |
| Repurchase of treasury shares | – | – | – | (2,666) | – | (2,666) | – | (2,666) |
| Share-based compensation, net of tax | – | 376 | – | 17 | – | 393 | – | 393 |
| Financial instruments indexed to own shares | – | 216 | – | – | – | 216 | – | 216 |
| Other | – | – | – | – | – | – | (2) | (2) |
| **Balance at end of period** | **64** | **27,589** | **33,137** | **(1,008)** | **(16,386)** | **43,396** | **889** | **44,285** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited)

| in | 1Q16 | 1Q15 |
|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | |
| **Net income/(loss)** | **(305)** | **1,034** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | |
| Impairment, depreciation and amortization | 237 | 270 |
| Provision for credit losses | 150 | 30 |
| Deferred tax provision/(benefit) | (305) | 221 |
| Share of net income/(loss) from equity method investments | 44 | (6) |
| Trading assets and liabilities, net | 6,898 | (4,495) |
| (Increase)/decrease in other assets | (1,519) | (6,285) |
| Increase/(decrease) in other liabilities | 498 | (1,072) |
| Other, net | (1,737) | 397 |
| Total adjustments | 4,266 | (10,940) |
| **Net cash provided by/(used in) operating activities of continuing operations** | **3,961** | **(9,906)** |
| **Investing activities of continuing operations (CHF million)** | | |
| (Increase)/decrease in interest-bearing deposits with banks | 2 | 116 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | (16,494) | 14,154 |
| Purchase of investment securities | (49) | (264) |
| Proceeds from sale of investment securities | 6 | 6 |
| Maturities of investment securities | 175 | 54 |
| Investments in subsidiaries and other investments | (127) | (106) |
| Proceeds from sale of other investments | 264 | 496 |
| (Increase)/decrease in loans | 362 | (1,238) |
| Proceeds from sales of loans | 208 | 302 |
| Capital expenditures for premises and equipment and other intangible assets | (277) | (193) |
| Proceeds from sale of premises and equipment and other intangible assets | 52 | 0 |
| Other, net | 28 | 110 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **(15,850)** | **13,437** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited) (continued)

| in | 1Q16 | 1Q15 |
|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | |
| Increase/(decrease) in due to banks and customer deposits | 11,533 | 1,637 |
| Increase/(decrease) in short-term borrowings | 6,748 | 2,138 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (5,406) | (2,560) |
| Issuances of long-term debt | 13,916 | 21,824 |
| Repayments of long-term debt | (12,332) | (16,354) |
| Sale of treasury shares | 2,937 | 1,823 |
| Repurchase of treasury shares | (3,047) | (2,666) |
| Excess tax benefits related to share-based compensation | 20 | 1 |
| Other, net | 585 | 567 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **14,954** | **6,410** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | |
| **Effect of exchange rate changes on cash and due from banks** | **(1,183)** | **(1,377)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | |
| **Net increase/(decrease) in cash and due from banks** | **1,882** | **8,564** |
| Cash and due from banks at beginning of period | 92,328 | 79,349 |
| **Cash and due from banks at end of period** | **94,210** | **87,913** |

## Supplemental cash flow information (unaudited)

| in | 1Q16 | 1Q15 |
|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | |
| Cash paid for income taxes | 46 | 317 |
| Cash paid for interest | 2,982 | 3,112 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | |
| Fair value of assets acquired | 0 | 3 |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

# Notes to the condensed consolidated financial statements – unaudited

## 1 Summary of significant accounting policies

### Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Credit Suisse Group AG (the Group) are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). These condensed consolidated financial statements should be read in conjunction with the US GAAP consolidated financial statements and notes thereto for the year ended December 31, 2015 included in the Credit Suisse Annual Report 2015.

▸ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for a description of the Group's significant accounting policies.

Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with US GAAP, but not required for interim reporting purposes, has been condensed or omitted. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current period's presentation. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the periods presented. The 4Q15 consolidated statements of operations and comprehensive income and the 4Q15 consolidated statements of changes in equity have been added for convenience of the reader and are not a required presentation under US GAAP. The results of operations for interim periods are not indicative of results for the entire year.

In preparing these condensed consolidated financial statements, management is required to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2 Recently issued accounting standards

### Recently adopted accounting standards

The following provides the most relevant recently adopted accounting standards.

▸ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for a description of accounting standards adopted in 2015.

#### ASC Topic 718 – Compensation – Stock Compensation

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" (ASU 2014-12), an update to Accounting Standards Codification (ASC) Topic 718 – Compensation – Stock Compensation. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The adoption of ASU 2014-12 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 810 – Consolidation

In February 2015, the FASB issued ASU 2015-02, "Amendments to the Consolidation Analysis" (ASU 2015-02), an update to ASC Topic 810 – Consolidation. The amendments in ASU 2015-02 rescind the indefinite deferral for certain investment funds, which is included in ASU 2010-10, Consolidation (ASC Topic 810), "Amendments for Certain Investment Funds". The amendments in ASU 2015-02 also require a re-evaluation as to whether certain legal entities require consolidation under the revised consolidation model, specifically as it relates to whether limited partnerships and similar legal entities are VIEs or voting interest entities, the elimination of the presumption that a general partner controls a partnership, and the consolidation analysis of VIEs, particularly those that have fee arrangements and related party relationships. The adoption of ASU 2015-02 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" (ASU 2014-13), an update to ASC Topic 810 – Consolidation. ASU 2014-13 applies to reporting entities that are required to consolidate a collateralized financing entity (CFE) under the VIE guidance. These entities may elect to measure the financial assets and the financial liabilities of the CFE at fair value using either ASC Topic 820 – Fair Value Measurements or an alternative provided in ASU 2014-13. When using the measurement alternative provided in this update, the reporting entity should measure both the financial assets and the financial liabilities of the CFE, using the most observable of (i) the fair value of the financial assets and (ii) the fair value of the financial liabilities. The adoption of ASU 2014-13 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 815 – Derivatives and Hedging

In November 2014, the FASB issued ASU 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity" (ASU 2014-16), an update to ASC Topic 815 – Derivatives and Hedging. The amendments in ASU 2014-16 clarify that for hybrid financial instruments issued in the form of a share, an entity (an issuer or an investor) should determine the nature of the host contract by

considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. The adoption of ASU 2014-16 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 820 – Fair Value Measurement

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2015-07), an update to ASC Topic 820 – Fair Value Measurement. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient and change the scope of certain disclosure requirements to those investments for which an entity has elected using that practical expedient. The adoption of ASU 2015-07 on January 1, 2016 resulted in modified disclosures but did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 825 – Financial Instruments – Overall

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), an update to ASC Topic 825 – Financial Instruments – Overall. The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, and for the interim and annual reporting periods thereafter. Early adoption of the full standard is not permitted, however, certain sections of ASU 2016-01 relating to fair value option-elected financial liabilities can be early adopted in isolation. These amendments to ASU 2016-01 require the changes in fair value relating to instrument-specific credit risk of fair value option elected financial liabilities to be presented separately in accumulated other comprehensive income. The Group has early adopted these sections of the update on January 1, 2016. As a result of adoption, a reclassification of a gain from retained earnings to accumulated other comprehensive income of CHF 475 million, net of tax, was recorded. The Group is currently evaluating the impact of the adoption of the remaining sections of ASU 2016-01 on the Group's financial position, results of operations and cash flows.

#### ASC Topic 835 – Interest

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), an update to ASC Subtopic 835-30, "Interest – Imputation of Interest". Under ASU 2015-03, an entity presents debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than an asset. The adoption of ASU 2015-03 on January 1, 2016 resulted in a reduction to both total assets and total liabilities of CHF 541 million, however, retrospective application was deemed immaterial and, as such, prior periods were not restated.

### Standards to be adopted in future periods

#### ASC Topic 205 – Presentation of Financial Statements

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" (ASU 2014-15), an update to ASC Topic 205 – Presentation of Financial Statements. The amendments in ASU 2014-15 provide guidance in US GAAP about management's responsibility to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures in the notes to the financial statements. The amendments are expected to reduce diversity in the timing and content of such disclosures. ASU 2014-15 is effective for the annual reporting period ending after December 15, 2016, and for the interim and annual reporting periods thereafter. Early adoption is permitted. As these amendments relate only to disclosures, the adoption of ASU 2014-15 will have no impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 606 – Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), an update to ASC Topic 606 – Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU outlines key steps that an entity should follow to achieve the core principle. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" (ASU 2015-14). ASU 2015-14 defers the effective date of ASU 2014-09 from interim and annual periods beginning after December 15, 2016 to December 15, 2017. In March 2016, the FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" (ASU 2016-08), an update to ASC Topic 606 – Revenue from Contracts with Customers. The amendments in ASU 2016-08 clarify the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing" (ASU 2016-10), an update to ASC Topic 606 – Revenue from Contracts with Customers. The amendments in ASU 2016-10 clarify the guidance regarding identifying performance obligations and the accounting for licenses. ASU 2016-08 and ASU 2016-10 are effective at the same date as ASU 2014-09. The Group is currently evaluating the impact of the adoption of ASU 2014-09, ASU 2016-08 and ASU 2016-10 on the Group's financial position, results of operations and cash flows.

**ASC Topic 718 – Compensation – Stock Compensation**

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09), an update to ASC Topic 718 – Compensation—Stock Compensation. The amendments in ASU 2016-09 provide simplification updates for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-09 on the Group's financial position, results of operations and cash flows.

**ASC Topic 842 – Leases**

In February 2016, the FASB issued ASU 2016-02, "Leases" (ASU 2016-02), creating ASC Topic 842 – Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet. Lessor accounting is substantially unchanged compared to the current accounting guidance. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-02 on the Group's financial position, results of operations and cash flows.

## 3 Business developments

**Acceleration of the announced strategy**

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

- increasing the gross savings target of CHF 3.5 billion by year-end 2018 to CHF 4.3 billion. The net cost savings target in the same time period has increased from CHF 2.0 billion to at least CHF 3.0 billion. These measures are expected to lead to an absolute cost base of CHF 18.0 billion or less by year-end 2018;
- setting a gross cost savings target for the Group of CHF 1.7 billion by year-end 2016;
- reducing the risk-weighted assets target in the Global Markets division from approximately USD 83 – 85 billion to USD 60 billion and the leverage exposure target from approximately USD 380 billion to USD 290 billion by year-end 2016;
- exiting the Distressed Credit, European Securitized Products trading and Long-Term Illiquid Financing businesses in Global Markets;
- the assets from businesses the Group is exiting and other business reductions in Global Markets will predominantly be transferred to the Strategic Resolution Unit over the course of 2016 and the Group is consolidating foreign exchange trading into its trading operations within Swiss Universal Bank; and
- disposals of real estate and non-core businesses and other actions to increase CET1 capital by at least CHF 1 billion during 2016.

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

**Transfer of US private banking business**

In 1Q16, the Group completed the transfer of its US domestic private banking relationship managers and certain other staff to Wells Fargo's brokerage business, Wells Fargo Advisors.

**York Capital Management**

In November 2010, Credit Suisse's Asset Management business acquired a significant non-controlling economic interest in York Capital Management (York), a leading global event-driven hedge fund manager, from York's owners. The transaction provided for earn-out payments based on the five-year financial performance by York, to be covered by an issuance of new shares of Credit Suisse Group AG (approximately 1% of the issued share capital) out of Credit Suisse Group's authorized share capital in accordance with its articles of association. This share issuance is currently planned for early June 2016 and the newly issued shares will be sold in the market. To that end, prior to the issuance of these shares, Credit Suisse may, in compliance with laws and regulations, in particular with the Financial Market Infrastructure Act and its implementing ordinance, effect transactions which could involve the borrowing and sale of shares of Credit Suisse Group during the second quarter of 2016.

**Sale of distressed credit portfolio**

On May 3, 2016, Credit Suisse announced the signing of a Master Purchase Agreement to sell USD 1.27 billion of credit assets including a part of the Credit Suisse distressed portfolio to TSSP, the credit and special situations platform of TPG, a global private investment firm. The Credit Suisse distressed portfolio purchased by TSSP is comprised of over 270 instruments across asset types and geographies relating to approximately 170 companies.

## 4 Discontinued operations

There were no operations that were discontinued in 1Q16 and 2015.

▸ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

## 5 Segment information

### Overview

The Group is a global financial services company domiciled in Switzerland and serves its clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with the strategic direction. The segment information reflects the Group's six reportable segments and the Corporate Center, which are managed and reported on a pre-tax basis.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on segment information, revenue sharing and cost allocation and funding.

### Net revenues and income before taxes

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Swiss Universal Bank | 1,316 | 1,470 | 1,347 |
| International Wealth Management | 1,108 | 1,146 | 1,069 |
| Asia Pacific | 894 | 826 | 1,088 |
| Global Markets | 973 | 1,127 | 2,416 |
| Investment Banking & Capital Markets | 369 | 403 | 400 |
| Strategic Resolution Unit | (112) | 21 | 176 |
| Corporate Center | 90 | (783) | 151 |
| **Net revenues** | **4,638** | **4,210** | **6,647** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Swiss Universal Bank | 426 | 367 | 427 |
| International Wealth Management | 270 | (20) | 263 |
| Asia Pacific | 251 | (617) | 465 |
| Global Markets | (635) | (3,474) | 842 |
| Investment Banking & Capital Markets | (103) | (497) | (47) |
| Strategic Resolution Unit | (724) | (1,122) | (383) |
| Corporate Center | 31 | (1,078) | (56) |
| **Income/(loss) from continuing operations before taxes** | **(484)** | **(6,441)** | **1,511** |

### Total assets

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Swiss Universal Bank | 215,084 | 218,306 |
| International Wealth Management | 81,097 | 94,033 |
| Asia Pacific | 85,118 | 85,929 |
| Global Markets | 272,520 | 262,201 |
| Investment Banking & Capital Markets | 18,341 | 19,800 |
| Strategic Resolution Unit | 74,061 | 77,664 |
| Corporate Center | 67,677 | 62,872 |
| **Total assets** | **813,898** | **820,805** |

## 6 Net interest income

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Net interest income (CHF million)** | | | |
| Loans | 1,389 | 1,449 | 1,317 |
| Investment securities | 17 | 16 | 13 |
| Trading assets | 2,086 | 1,819 | 1,953 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 704 | 676 | 650 |
| Other | 389 | 566 | 557 |
| Interest and dividend income | 4,585 | 4,526 | 4,490 |
| Deposits | (244) | (195) | (255) |
| Short-term borrowings | (16) | (15) | (34) |
| Trading liabilities | (1,024) | (759) | (795) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (376) | (324) | (315) |
| Long-term debt | (858) | (991) | (886) |
| Other | (56) | (48) | (53) |
| Interest expense | (2,574) | (2,332) | (2,338) |
| **Net interest income** | **2,011** | **2,194** | **2,152** |

## 7 Commissions and fees

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Commissions and fees (CHF million)** | | | |
| Lending business | 398 | 449 | 300 |
| Investment and portfolio management | 810 | 878 | 833 |
| Other securities business | 11 | 11 | 22 |
| Fiduciary business | 821 | 889 | 855 |
| Underwriting | 222 | 328 | 445 |
| Brokerage | 833 | 804 | 1,008 |
| Underwriting and brokerage | 1,055 | 1,132 | 1,453 |
| Other services | 401 | 444 | 371 |
| **Commissions and fees** | **2,675** | **2,914** | **2,979** |

## 8 Trading revenues

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Trading revenues (CHF million)** | | | |
| Interest rate products | 1,719 | (1,247) | 2,594 |
| Foreign exchange products | (582) | (147) | (853) |
| Equity/index-related products | (1,163) | 480 | (159) |
| Credit products | (534) | (97) | (349) |
| Commodity, emission and energy products | (3) | (29) | (10) |
| Other products | 292 | (309) | 167 |
| **Trading revenues** | **(271)** | **(1,349)** | **1,390** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to "Note 8 – Trading revenues" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on trading revenues and managing trading risks.

## 9 Other revenues

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Other revenues (CHF million)** | | | |
| Noncontrolling interests without SEI | 0 | 17 | (28) |
| Loans held-for-sale | (9) | (1) | (8) |
| Long-lived assets held-for-sale | 33 | 60 | 2 |
| Equity method investments | 49 | 82 | 46 |
| Other investments | (16) | 111 | (72) |
| Other | 166 | 182 | 186 |
| **Other revenues** | **223** | **451** | **126** |

## 10 Provision for credit losses

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | |
| Provision for loan losses | 126 | 128 | 31 |
| Provision for lending-related and other exposures | 24 | 5 | (1) |
| **Provision for credit losses** | **150** | **133** | **30** |

## 11 Compensation and benefits

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | |
| Salaries and variable compensation | 2,166 | 2,777 | 2,617 |
| Social security | 147 | 167 | 191 |
| Other[1] | 169 | 205 | 168 |
| **Compensation and benefits** | **2,482** | **3,149** | **2,976** |

[1] Includes pension and other post-retirement expense of CHF 79 million, CHF 105 million and CHF 90 million in 1Q16, 4Q15 and 1Q15, respectively.

## 12 General and administrative expenses

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | |
| Occupancy expenses | 248 | 273 | 243 |
| IT, machinery, etc. | 297 | 347 | 316 |
| Provisions and losses | 78 | 671 | 73 |
| Travel and entertainment | 90 | 115 | 89 |
| Professional services | 804 | 1,007 | 632 |
| Amortization and impairment of other intangible assets | 2 | 3 | 6 |
| Other | 329 | 392 | 379 |
| **General and administrative expenses** | **1,848** | **2,808** | **1,738** |

## 13 Restructuring expenses

In connection with the strategic review of the Group, restructuring expenses of CHF 255 million and CHF 355 million were recognized in 1Q16 and 4Q15, respectively. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards and real estate contract termination costs.

### Restructuring expenses by segment

| in | 1Q16 | 4Q15 |
|---|---|---|
| **Restructuring expenses by segment (CHF million)** | | |
| Swiss Universal Bank | 40 | 39 |
| International Wealth Management | 9 | 33 |
| Asia Pacific | 1 | 3 |
| Global Markets | 101 | 105 |
| Investment Banking & Capital Markets | 27 | 22 |
| Strategic Resolution Unit | 77 | 153 |
| **Total restructuring expenses** | **255** | **355** |

### Restructuring expenses by type

| in | 1Q16 | 4Q15 |
|---|---|---|
| **Restructuring expenses by type (CHF million)** | | |
| Compensation and benefits-related expenses | 182 | 309 |
| of which severance expenses | 56 | 191 |
| of which accelerated deferred compensation | 106 | 87 |
| of which pension expenses | 22 | 31 |
| General and administrative-related expenses | 73 | 46 |
| **Total restructuring expenses** | **255** | **355** |

### Restructuring provision

| | 1Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Compensation and benefits | General and administrative expenses | **Total** | Compensation and benefits | General and administrative expenses | **Total** |
| **Restructuring provision (CHF million)** | | | | | | |
| **Balance at beginning of period** | **187** | **12** | **199** | **0** | **0** | **0** |
| Net additional charges [1] | 56 | 73 | 129 | 191 | 46 | 237 |
| Utilization | (50) | 2 | (48) | (4) | (34) | (38) |
| **Balance at end of period** | **193** | **87** | **280** | **187** | **12** | **199** |

[1] The following items for which expense accretion was accelerated in 1Q16 and 4Q15 due to the restructuring of the Group are not included in the restructuring provision: unsettled share-based compensation of CHF 33 million and CHF 23 million, respectively, and unsettled pension obligations of CHF 23 million and CHF 31 million, respectively, which remain classified as a component of total shareholders' equity; and unsettled cash-based deferred compensation of CHF 71 million and CHF 64 million, respectively, which remains classified as compensation liabilities. The settlement date for the unsettled share-based compensation remains unchanged at three years.

## 14 Earnings per share

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **(302)** | **(5,828)** | **1,054** |
| Available for common shares | (302) | (5,828) | 1,029 |
| Available for unvested share-based payment awards | 0 | 0 | 25 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **(302)** | **(5,828)** | **1,054** |
| Available for common shares | (302) | (5,828) | 1,029 |
| Available for unvested share-based payment awards | 0 | 0 | 25 |
| **Weighted-average shares outstanding (million)** | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **1,980.7** | **1,777.2** | **1,670.3** |
| Dilutive share options and warrants | 0.0 | 0.0 | 0.9 |
| Dilutive share awards | 0.0 | 0.0 | 30.8 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares** [1] | **1,980.7** [2] | **1,777.2** [2] | **1,702.0** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **10.3** | **19.1** | **41.3** |
| **Earnings/(loss) per share available for common shares (CHF)** | | | |
| **Basic earnings/(loss) per share available for common shares** | **(0.15)** | **(3.28)** | **0.62** |
| **Diluted earnings/(loss) per share available for common shares** | **(0.15)** | **(3.28)** | **0.60** |

Prior periods have been adjusted to reflect the increase in the number of shares outstanding as a result of the discount element in the 2015 rights issue, as required under US GAAP.

[1] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 7.5 million, 7.9 million and 9.2 million for 1Q16, 4Q15 and 1Q15, respectively.

[2] Due to the net losses in 1Q16 and 4Q15, 2.3 million and 0.9 million, respectively, of weighted-average share options and warrants outstanding and 53.7 million and 61.2 million, respectively, of weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

## 15 Trading assets and liabilities

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Trading assets (CHF million)** | | |
| Debt securities | 72,864 | 80,542 |
| Equity securities | 73,763 | 70,961 |
| Derivative instruments [1] | 29,792 | 28,365 |
| Other | 11,131 | 10,869 |
| **Trading assets** | **187,550** | **190,737** |
| **Trading liabilities (CHF million)** | | |
| Short positions | 28,962 | 25,485 |
| Derivative instruments [1] | 24,620 | 23,486 |
| **Trading liabilities** | **53,582** | **48,971** |

[1] Amounts shown after counterparty and cash collateral netting.

### Cash collateral on derivative instruments

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Cash collateral – netted (CHF million)** [1] | | |
| Cash collateral paid | 34,413 | 31,887 |
| Cash collateral received | 26,246 | 21,942 |
| **Cash collateral – not netted (CHF million)** [2] | | |
| Cash collateral paid | 8,121 | 7,921 |
| Cash collateral received | 12,625 | 13,989 |

[1] Recorded as cash collateral netting on derivative instruments in Note 22 – Offsetting of financial assets and financial liabilities.

[2] Recorded as cash collateral on derivative instruments in Note 19 – Other assets and other liabilities.

## 16 Investment securities

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Investment securities (CHF million)** | | |
| Securities available-for-sale | 3,143 | 3,090 |
| **Total investment securities** | **3,143** | **3,090** |

### Investment securities by type

| end of | 1Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** |
| **Investment securities by type (CHF million)** | | | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 253 | 23 | 0 | 276 | 273 | 21 | 0 | 294 |
| Debt securities issued by foreign governments | 1,387 | 41 | 0 | 1,428 | 1,382 | 34 | 0 | 1,416 |
| Corporate debt securities | 285 | 0 | 0 | 285 | 285 | 0 | 0 | 285 |
| Residential mortgage-backed securities | 1,039 | 0 | 0 | 1,039 | 750 | 0 | 0 | 750 |
| Commercial mortgage-backed securities | 28 | 0 | 0 | 28 | 259 | 0 | 0 | 259 |
| Debt securities available-for-sale | 2,992 | 64 | 0 | 3,056 | 2,949 | 55 | 0 | 3,004 |
| Banks, trust and insurance companies | 66 | 20 | 0 | 86 | 65 | 20 | 0 | 85 |
| Industry and all other | 1 | 0 | 0 | 1 | 1 | 0 | 0 | 1 |
| Equity securities available-for-sale | 67 | 20 | 0 | 87 | 66 | 20 | 0 | 86 |
| **Securities available-for-sale** | **3,059** | **84** | **0** | **3,143** | **3,015** | **75** | **0** | **3,090** |

There were no unrealized losses on investment securities as of the end of 1Q16 and 4Q15. No significant impairment charges were recorded as the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| in | 1Q16 | | 1Q15 | |
|---|---|---|---|---|
| | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | |
| Proceeds from sales | 6 | 0 | 0 | 6 |

### Amortized cost, fair value and average yield of debt securities

| | Debt securities available-for-sale | | |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **1Q16 (CHF million)** | | | |
| Due within 1 year | 346 | 346 | 0.41 |
| Due from 1 to 5 years | 1,425 | 1,471 | 0.90 |
| Due from 5 to 10 years | 147 | 163 | 1.11 |
| Due after 10 years | 1,074 | 1,076 | 3.99 |
| **Total debt securities** | **2,992** | **3,056** | **1.96** |

## 17 Loans, allowance for loan losses and credit quality

▸ Refer to "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on loans, allowance for loan losses, credit quality, value of collateral and impaired loans.

## Loans

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Loans (CHF million)** | | |
| Mortgages | 103,595 | 103,164 |
| Loans collateralized by securities | 35,068 | 37,946 |
| Consumer finance | 3,575 | 3,766 |
| Consumer | 142,238 | 144,876 |
| Real estate | 26,793 | 26,451 |
| Commercial and industrial loans | 77,627 | 77,767 |
| Financial institutions | 20,672 | 21,334 |
| Governments and public institutions | 4,040 | 3,578 |
| Corporate & institutional | 129,132 | 129,130 |
| **Gross loans** | **271,370** | **274,006** |
| of which held at amortized cost | 249,849 | 253,186 |
| of which held at fair value | 21,521 | 20,820 |
| Net (unearned income)/deferred expenses | (160) | (145) |
| Allowance for loan losses | (962) | (866) |
| **Net loans** | **270,248** | **272,995** |
| **Gross loans by location (CHF million)** | | |
| Switzerland | 157,319 | 155,771 |
| Foreign | 114,051 | 118,235 |
| **Gross loans** | **271,370** | **274,006** |
| **Impaired loan portfolio (CHF million)** | | |
| Non-performing loans | 1,046 | 983 |
| Non-interest-earning loans | 233 | 272 |
| Non-performing and non-interest-earning loans | 1,279 | 1,255 |
| Restructured loans | 288 | 282 |
| Potential problem loans | 645 | 436 |
| Other impaired loans | 933 | 718 |
| **Gross impaired loans** | **2,212** | **1,973** |

## Allowance for loan losses by loan portfolio

| | 1Q16 | | | 4Q15 | | | 1Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **216** | **650** | **866** | **226** | **584** | **810** | **251** | **507** | **758** |
| Net movements recognized in statements of operations | 0 | 126 | 126 | 5 | 123 | 128 | 15 | 16 | 31 |
| Gross write-offs | (20) | (19) | (39) | (23) | (62) | (85) | (21) | (4) | (25) |
| Recoveries | 3 | 20 | 23 | 4 | 1 | 5 | 2 | 7 | 9 |
| Net write-offs | (17) | 1 | (16) | (19) | (61) | (80) | (19) | 3 | (16) |
| Provisions for interest | 3 | (1) | 2 | 2 | 1 | 3 | 1 | 8 | 9 |
| Foreign currency translation impact and other adjustments, net | (5) | (11) | (16) | 2 | 3 | 5 | (3) | (12) | (15) |
| **Balance at end of period** | **197** | **765** | **962** | **216** | **650** | **866** | **245** | **522** | **767** |
| of which individually evaluated for impairment | 154 | 570 | 724 | 170 | 480 | 650 | 198 | 352 | 550 |
| of which collectively evaluated for impairment | 43 | 195 | 238 | 46 | 170 | 216 | 47 | 170 | 217 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **142,217** | **107,632** | **249,849** | **144,855** | **108,331** | **253,186** | **142,483** | **107,264** | **249,747** |
| of which individually evaluated for impairment [1] | 658 | 1,554 | 2,212 | 647 | 1,326 | 1,973 | 562 | 861 | 1,423 |
| of which collectively evaluated for impairment | 141,559 | 106,078 | 247,637 | 144,208 | 107,005 | 251,213 | 141,921 | 106,403 | 248,324 |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| in | 1Q16 | | | 4Q15 | | | 1Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 0 | 695 | 695 | 48 | 1,080 | 1,128 | 116 | 991 | 1,107 |
| Reclassifications from loans held-for-sale [2] | 0 | 78 | 78 | 0 | 163 | 163 | 0 | 123 | 123 |
| Reclassifications to loans held-for-sale [3] | 1,123 | 411 | 1,534 | 1,641 | 76 | 1,717 | 0 | 206 | 206 |
| Sales [3] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 80 | 80 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

## Gross loans held at amortized cost by internal counterparty rating

| | Investment grade | Non-investment grade | | |
|---|---|---|---|---|
| end of | AAA to BBB | BB to C | D | **Total** |
| **1Q16 (CHF million)** | | | | |
| Mortgages | 90,819 | 12,527 | 249 | 103,595 |
| Loans collateralized by securities | 33,109 | 1,819 | 139 | 35,067 |
| Consumer finance | 1,117 | 2,231 | 207 | 3,555 |
| Consumer | 125,045 | 16,577 | 595 | 142,217 |
| Real estate | 19,756 | 6,194 | 113 | 26,063 |
| Commercial and industrial loans | 33,568 | 31,142 | 920 | 65,630 |
| Financial institutions | 11,530 | 3,234 | 139 | 14,903 |
| Governments and public institutions | 971 | 65 | 0 | 1,036 |
| Corporate & institutional | 65,825 | 40,635 | 1,172 | 107,632 |
| **Gross loans held at amortized cost** | **190,870** | **57,212** | **1,767** | **249,849** |
| Value of collateral [1] | 176,155 | 47,172 | 1,008 | 224,335 |
| **4Q15 (CHF million)** | | | | |
| Mortgages | 89,966 | 12,950 | 248 | 103,164 |
| Loans collateralized by securities | 36,129 | 1,679 | 138 | 37,946 |
| Consumer finance | 1,247 | 2,272 | 226 | 3,745 |
| Consumer | 127,342 | 16,901 | 612 | 144,855 |
| Real estate | 19,454 | 6,126 | 98 | 25,678 |
| Commercial and industrial loans | 32,995 | 32,365 | 859 | 66,219 |
| Financial institutions | 12,391 | 2,965 | 149 | 15,505 |
| Governments and public institutions | 824 | 105 | 0 | 929 |
| Corporate & institutional | 65,664 | 41,561 | 1,106 | 108,331 |
| **Gross loans held at amortized cost** | **193,006** | **58,462** | **1,718** | **253,186** |
| Value of collateral [1] | 178,649 | 48,422 | 1,063 | 228,134 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, the value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Group's risk management policies and directives, with maximum review periods determined by property type, market liquidity, market transparency and appraisal cost.

## Gross loans held at amortized cost – aging analysis

| | Current | Past due | | | | |
|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31–60 days | 61–90 days | More than 90 days | Total | **Total** |
| **1Q16 (CHF million)** | | | | | | | |
| Mortgages | 103,168 | 186 | 45 | 9 | 187 | 427 | 103,595 |
| Loans collateralized by securities | 34,645 | 264 | 12 | 1 | 145 | 422 | 35,067 |
| Consumer finance | 3,078 | 227 | 39 | 37 | 174 | 477 | 3,555 |
| Consumer | 140,891 | 677 | 96 | 47 | 506 | 1,326 | 142,217 |
| Real estate | 25,905 | 83 | 28 | 2 | 45 | 158 | 26,063 |
| Commercial and industrial loans | 63,959 | 826 | 147 | 133 | 565 | 1,671 | 65,630 |
| Financial institutions | 14,604 | 118 | 13 | 38 | 130 | 299 | 14,903 |
| Governments and public institutions | 1,034 | 2 | 0 | 0 | 0 | 2 | 1,036 |
| Corporate & institutional | 105,502 | 1,029 | 188 | 173 | 740 | 2,130 | 107,632 |
| **Gross loans held at amortized cost** | **246,393** | **1,706** | **284** | **220** | **1,246** | **3,456** | **249,849** |
| **4Q15 (CHF million)** | | | | | | | |
| Mortgages | 102,895 | 80 | 17 | 10 | 162 | 269 | 103,164 |
| Loans collateralized by securities | 37,589 | 214 | 7 | 1 | 135 | 357 | 37,946 |
| Consumer finance | 3,321 | 176 | 36 | 33 | 179 | 424 | 3,745 |
| Consumer | 143,805 | 470 | 60 | 44 | 476 | 1,050 | 144,855 |
| Real estate | 25,595 | 24 | 3 | 1 | 55 | 83 | 25,678 |
| Commercial and industrial loans | 65,129 | 507 | 109 | 69 | 405 | 1,090 | 66,219 |
| Financial institutions | 15,259 | 90 | 45 | 2 | 109 | 246 | 15,505 |
| Governments and public institutions | 928 | 1 | 0 | 0 | 0 | 1 | 929 |
| Corporate & institutional | 106,911 | 622 | 157 | 72 | 569 | 1,420 | 108,331 |
| **Gross loans held at amortized cost** | **250,716** | **1,092** | **217** | **116** | **1,045** | **2,470** | **253,186** |

## Gross impaired loans by category

| | Non-performing and non-interest-earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing | Non-interest-earning | Total | Re-structured | Potential problem | Total | **Total** |
| **1Q16 (CHF million)** | | | | | | | |
| Mortgages | 231 | 9 | 240 | 14 | 48 | 62 | 302 [1] |
| Loans collateralized by securities | 123 | 24 | 147 | 0 | 0 | 0 | 147 |
| Consumer finance | 182 | 23 | 205 | 0 | 4 | 4 | 209 |
| Consumer | 536 | 56 | 592 | 14 | 52 | 66 | 658 |
| Real estate | 66 | 4 | 70 | 0 | 48 | 48 | 118 |
| Commercial and industrial loans | 362 | 124 | 486 | 274 | 511 | 785 | 1,271 |
| Financial institutions | 82 | 49 | 131 | 0 | 34 | 34 | 165 |
| Corporate & institutional | 510 | 177 | 687 | 274 | 593 | 867 | 1,554 |
| **Gross impaired loans** | **1,046** | **233** | **1,279** | **288** | **645** | **933** | **2,212** |
| **4Q15 (CHF million)** | | | | | | | |
| Mortgages | 197 | 17 | 214 | 18 | 49 | 67 | 281 [1] |
| Loans collateralized by securities | 108 | 27 | 135 | 0 | 3 | 3 | 138 |
| Consumer finance | 204 | 23 | 227 | 0 | 1 | 1 | 228 |
| Consumer | 509 | 67 | 576 | 18 | 53 | 71 | 647 |
| Real estate | 53 | 19 | 72 | 0 | 29 | 29 | 101 |
| Commercial and industrial loans | 333 | 136 | 469 | 263 | 319 | 582 | 1,051 |
| Financial institutions | 88 | 50 | 138 | 1 | 35 | 36 | 174 |
| Corporate & institutional | 474 | 205 | 679 | 264 | 383 | 647 | 1,326 |
| **Gross impaired loans** | **983** | **272** | **1,255** | **282** | **436** | **718** | **1,973** |

[1] As of the end of 1Q16 and 4Q15, CHF 66 million and CHF 68 million, respectively, were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

## Gross impaired loan detail

| end of | 1Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 197 | 184 | 23 | 209 | 196 | 26 |
| Loans collateralized by securities | 112 | 106 | 7 | 117 | 112 | 15 |
| Consumer finance | 200 | 180 | 124 | 221 | 201 | 129 |
| Consumer | 509 | 470 | 154 | 547 | 509 | 170 |
| Real estate | 66 | 61 | 9 | 76 | 72 | 10 |
| Commercial and industrial loans | 1,109 | 1,094 | 491 | 815 | 796 | 387 |
| Financial institutions | 164 | 157 | 70 | 172 | 166 | 83 |
| Corporate & institutional | 1,339 | 1,312 | 570 | 1,063 | 1,034 | 480 |
| **Gross impaired loans with a specific allowance** | **1,848** | **1,782** | **724** | **1,610** | **1,543** | **650** |
| Mortgages | 105 | 105 | – | 72 | 71 | – |
| Loans collateralized by securities | 35 | 35 | – | 21 | 22 | – |
| Consumer finance | 9 | 9 | – | 7 | 7 | – |
| Consumer | 149 | 149 | – | 100 | 100 | – |
| Real estate | 52 | 52 | – | 25 | 25 | – |
| Commercial and industrial loans | 162 | 162 | – | 236 | 236 | – |
| Financial institutions | 1 | 1 | – | 2 | 2 | – |
| Corporate & institutional | 215 | 215 | – | 263 | 263 | – |
| **Gross impaired loans without specific allowance** | **364** | **364** | **–** | **363** | **363** | **–** |
| **Gross impaired loans** | **2,212** | **2,146** | **724** | **1,973** | **1,906** | **650** |
| of which consumer | 658 | 619 | 154 | 647 | 609 | 170 |
| of which corporate & institutional | 1,554 | 1,527 | 570 | 1,326 | 1,297 | 480 |

## Gross impaired loan detail (continued)

| in | 1Q16 | | | 4Q15 | | | 1Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) | Average recorded investment | Interest income recognized | Interest income recognized (cash basis) |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 197 | 0 | 0 | 211 | 0 | 1 | 180 | 0 | 0 |
| Loans collateralized by securities | 113 | 0 | 0 | 121 | 0 | 0 | 59 | 0 | 0 |
| Consumer finance | 216 | 0 | 0 | 225 | 0 | 0 | 230 | 0 | 0 |
| Consumer | 526 | 0 | 0 | 557 | 0 | 1 | 469 | 0 | 0 |
| Real estate | 76 | 0 | 0 | 92 | 0 | 0 | 65 | 0 | 0 |
| Commercial and industrial loans | 902 | 3 | 1 | 724 | 1 | 0 | 552 | 1 | 1 |
| Financial institutions | 168 | 0 | 0 | 176 | 0 | 0 | 137 | 1 | 1 |
| Corporate & institutional | 1,146 | 3 | 1 | 992 | 1 | 0 | 754 | 2 | 2 |
| **Gross impaired loans with a specific allowance** | **1,672** | **3** | **1** | **1,549** | **1** | **1** | **1,223** | **2** | **2** |
| Mortgages | 76 | 1 | 0 | 42 | 1 | 0 | 50 | 0 | 0 |
| Loans collateralized by securities | 25 | 0 | 0 | 22 | 0 | 0 | 22 | 0 | 0 |
| Consumer finance | 7 | 0 | 0 | 7 | 0 | 0 | 7 | 0 | 0 |
| Consumer | 108 | 1 | 0 | 71 | 1 | 0 | 79 | 0 | 0 |
| Real estate | 29 | 0 | 0 | 22 | 1 | 0 | 8 | 0 | 0 |
| Commercial and industrial loans | 219 | 2 | 0 | 197 | 1 | 0 | 13 | 0 | 0 |
| Financial institutions | 3 | 0 | 0 | 5 | 0 | 0 | 1 | 0 | 0 |
| Corporate & institutional | 251 | 2 | 0 | 224 | 2 | 0 | 22 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **359** | **3** | **0** | **295** | **3** | **0** | **101** | **0** | **0** |
| **Gross impaired loans** | **2,031** | **6** | **1** | **1,844** | **4** | **1** | **1,324** | **2** | **2** |
| of which consumer | 634 | 1 | 0 | 628 | 1 | 1 | 548 | 0 | 0 |
| of which corporate & institutional | 1,397 | 5 | 1 | 1,216 | 3 | 0 | 776 | 2 | 2 |

### Restructured loans held at amortized cost

| in | 1Q16 | | | 4Q15 | | | 1Q15 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | | | | |
| Commercial and industrial loans | 5 | 15 | 15 | 8 | 110 | 106 | 2 | 71 | 78 |
| Financial institutions | 0 | 0 | 0 | 1 | 2 | 2 | 0 | 0 | 0 |
| **Total** | **5** | **15** | **15** | **9** | **112** | **108** | **2** | **71** | **78** |

In 1Q16, the loan modifications of the Group included extended repayment terms, including the suspension of annual contractual credit limit reductions, and cash margin requirements on new trade finance transactions.

In 1Q16, 4Q15 and 1Q15, the Group did not experience a default on any loan which had been restructured within the previous 12 months.

## 18 Goodwill

### Goodwill

| 1Q16 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse Group** |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **567** | **1,549** | **2,294** | **3,250** | **1,027** | **12** | **8,699** |
| Goodwill acquired during the year | 5 | 0 | 0 | 0 | 0 | 0 | **5** |
| Foreign currency translation impact | (10) | (44) | (35) | (13) | (16) | 0 | **(118)** |
| Other[1] | 41 | 18 | (1) | (65) | 0 | 0 | **(7)** |
| **Balance at end of period** | **603** | **1,523** | **2,258** | **3,172** | **1,011** | **12** | **8,579** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Balance at end of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **603** | **1,523** | **1,486** | **453** | **623** | **0** | **4,688** |

[1] Primarily reflects reallocations of goodwill to reporting units on a relative fair value basis as a result of the announced strategic measures affecting Global Markets.

In accordance with US GAAP, the Group continually assesses whether or not there has been a triggering event requiring a review of goodwill. As of March 31, 2016, the Group's market capitalization was below book value.

On March 23, 2016, the Group announced a number of strategy measures affecting its Global Markets and Strategic Resolution Unit segments, including business exits and other business reductions in Global Markets. The Group determined that these changes constituted a triggering event. The Group's reporting units were not changed as a result of this announcement and remain defined as follows: Swiss Universal Bank – Private Banking, Swiss Universal Bank – Corporate & Institutional Banking, International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Private Banking, Asia Pacific – Investment Banking, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit.

The carrying value of each reporting unit for purposes of the goodwill impairment test is determined by considering the reporting units' risk-weighted assets usage, leverage ratio exposure, deferred tax assets, goodwill and intangible assets. Any residual equity, after considering the total of these elements, is allocated to the reporting units on a pro-rata basis.

In estimating the fair value of its reporting units, the Group applied a combination of the market approach and income approach. Under the market approach, consideration was given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows, which are determined from the Group's financial plan.

In determining the estimated fair value, the Group relied upon its five-year strategic business plan which included significant management assumptions and estimates based on its view of current and future economic conditions and regulatory changes.

Under US GAAP, goodwill has to be tested for impairment before and immediately after a reorganization or restructuring of reporting units. As a result, the goodwill impairment test was performed as of March 31, 2016 under the old business structure and then again under the newly defined structure according to the announcement on March 23, 2016.

Based on its goodwill impairment analysis performed as of March 31, 2016, the Group concluded that there was no impairment necessary for its Global Markets reporting unit as the estimated fair value of the reporting unit exceeded its carrying value by 5%. The goodwill allocated to this reporting unit has become more sensitive to an impairment as the valuation of the reporting unit is highly correlated with economic and financial market conditions, client trading and investing activity and the regulatory environment in which it operates.

The Group concluded that the estimated fair value for all of its other reporting units with goodwill substantially exceeded their related carrying values and that no impairment was necessary.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets reporting unit as of March 31, 2016. The valuations were also performed using a combination of the market approach and income approach.

The results of the impairment evaluation of each reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a significant margin from its best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, the Group could potentially incur material impairment charges in the future.

## 19 Other assets and other liabilities

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Other assets (CHF million)** | | |
| Cash collateral on derivative instruments | 8,121 | 7,921 |
| Cash collateral on non-derivative transactions | 412 | 327 |
| Derivative instruments used for hedging | 294 | 186 |
| Assets held-for-sale | 13,187 | 26,061 |
| of which loans [1] | 12,981 | 25,839 |
| of which real estate [2] | 171 | 182 |
| of which long-lived assets | 35 | 40 |
| Assets held for separate accounts | 907 | 1,307 |
| Interest and fees receivable | 5,196 | 5,658 |
| Deferred tax assets | 6,341 | 6,179 |
| Prepaid expenses | 520 | 448 |
| Failed purchases | 2,885 | 2,770 |
| Other | 6,764 | 7,160 |
| **Other assets** | **44,627** | **58,017** |
| **Other liabilities (CHF million)** | | |
| Cash collateral on derivative instruments | 12,625 | 13,989 |
| Cash collateral on non-derivative transactions | 420 | 518 |
| Derivative instruments used for hedging | 235 | 110 |
| Deposits held-for-sale | 2,690 | 0 |
| Provisions | 1,644 | 1,851 |
| of which off-balance sheet risk | 108 | 88 |
| Restructuring liabilities | 280 | 199 |
| Liabilities held for separate accounts | 907 | 1,307 |
| Interest and fees payable | 5,231 | 6,011 |
| Current tax liabilities | 841 | 608 |
| Deferred tax liabilities | 50 | 54 |
| Failed sales | 1,378 | 1,551 |
| Other | 14,014 | 16,033 |
| **Other liabilities** | **40,315** | **42,231** |

[1] Included as of the end of 1Q16 and 4Q15 were CHF 968 million and CHF 1,135 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 73 million and CHF 60 million, respectively, in loans held in trusts, which were consolidated as a result of failed sales under US GAAP.

[2] As of the end of 1Q16 and 4Q15, real estate held-for-sale included foreclosed or repossessed real estate of CHF 35 million and CHF 31 million, respectively, of which CHF 6 million and CHF 3 million, respectively were related to residential real estate.

## 20 Long-term debt

### Long-term debt

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Long-term debt (CHF million)** | | |
| Senior | 157,849 | 157,986 |
| Subordinated | 23,494 | 24,796 |
| Non-recourse liabilities from consolidated VIEs | 2,147 | 14,826 |
| **Long-term debt** | **183,490** | **197,608** |
| of which reported at fair value | 69,104 | 80,931 |
| of which structured notes | 55,006 | 54,848 |

### Structured notes by product

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Structured notes (CHF million)** | | |
| Equity | 33,421 | 35,594 |
| Fixed income | 13,805 | 11,534 |
| Credit | 5,505 | 5,261 |
| Other | 2,275 | 2,459 |
| **Total structured notes** | **55,006** | **54,848** |

## 21 Accumulated other comprehensive income and additional share information

### Accumulated other comprehensive income/(loss)

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | Gains/ (losses) on liabilities relating to credit risk | **Accumulated other comprehensive income/ (loss)** |
|---|---|---|---|---|---|---|---|
| **1Q16 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(15)** | **(12,615)** | **60** | **(4,672)** | **607** | **–** | **(16,635)** |
| Increase/(decrease) | 47 | (886) | 5 | 22 | 0 | 1,266 | 454 |
| Increase/(decrease) due to equity method investments | (3) | 0 | 0 | 0 | 0 | 0 | (3) |
| Reclassification adjustments, included in net income/(loss) | 2 | 49 | 0 | 83 | (28) | 0 | 106 |
| Cumulative effect of accounting changes, net of tax | 0 | 0 | 0 | 0 | 0 | 475 | 475 |
| Total increase/(decrease) | 46 | (837) | 5 | 105 | (28) | 1,741 | 1,032 |
| **Balance at end of period** | **31** | **(13,452)** | **65** | **(4,567)** | **579** | **1,741** | **(15,603)** |
| **4Q15 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **30** | **(12,875)** | **62** | **(3,757)** | **389** | **–** | **(16,151)** |
| Increase/(decrease) | (64) | 261 | (2) | (1,021) | 238 | – | (588) |
| Increase/(decrease) due to equity method investments | 5 | (1) | 0 | 0 | 0 | – | 4 |
| Reclassification adjustments, included in net income/(loss) | 14 | 0 | 0 | 106 | (20) | – | 100 |
| Total increase/(decrease) | (45) | 260 | (2) | (915) | 218 | – | (484) |
| **Balance at end of period** | **(15)** | **(12,615)** | **60** | **(4,672)** | **607** | **–** | **(16,635)** |
| **1Q15 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **(31)** | **(11,478)** | **64** | **(4,010)** | **452** | **–** | **(15,003)** |
| Increase/(decrease) | 18 | (1,471) | 10 | 1 | 0 | – | (1,442) |
| Increase/(decrease) due to equity method investments | (16) | 0 | 0 | 0 | 0 | – | (16) |
| Reclassification adjustments, included in net income/(loss) | 6 | 2 | 0 | 88 | (21) | – | 75 |
| Total increase/(decrease) | 8 | (1,469) | 10 | 89 | (21) | – | (1,383) |
| **Balance at end of period** | **(23)** | **(12,947)** | **74** | **(3,921)** | **431** | **–** | **(16,386)** |

### Details on significant reclassification adjustments

| in | **1Q16** | 4Q15 | 1Q15 |
|---|---|---|---|
| **Reclassification adjustments, included in net income/(loss) (CHF million)** | | | |
| **Cumulative translation adjustments** | | | |
| Sale of subsidiaries [1] | **49** | **0** | **0** |
| **Actuarial gains/(losses)** | | | |
| Amortization of recognized actuarial losses [2] | 107 | 137 | 112 |
| Tax expense/(benefit) | (24) | (31) | (24) |
| **Net of tax** | **83** | **106** | **88** |
| **Net prior service credit/(cost)** | | | |
| Amortization of recognized prior service credit/(cost) [2] | (36) | (27) | (28) |
| Tax expense | 8 | 7 | 7 |
| **Net of tax** | **(28)** | **(20)** | **(21)** |

[1] Includes net releases of CHF 52 million on the sale of Credit Suisse (Gibraltar) Limited in 1Q16. These were reclassified from cumulative translation adjustments and included in net income in other revenues.

[2] These components are included in the computation of total benefit costs. Refer to "Note 25 – Pension and other post-retirement benefits" for further information.

### Additional share information

| | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Common shares issued** | | | |
| **Balance at beginning of period** | **1,957,379,244** | **1,638,395,346** | **1,607,168,947** |
| Issuance of common shares | 0 | 318,983,898 | 0 |
| **Balance at end of period** | **1,957,379,244** | **1,957,379,244** | **1,607,168,947** |
| **Treasury shares** | | | |
| **Balance at beginning of period** | **(5,910,224)** | **(4,670,627)** | **(7,666,658)** |
| Sale of treasury shares | 190,347,314 | 282,833,980 | 80,525,427 |
| Repurchase of treasury shares | (196,089,371) | (285,000,704) | (117,313,038) |
| Share-based compensation | 712,418 | 927,127 | 759,175 |
| **Balance at end of period** | **(10,939,863)** | **(5,910,224)** | **(43,695,094)** |
| **Common shares outstanding** | | | |
| **Balance at end of period** | **1,946,439,381** [1] | **1,951,469,020** [1] | **1,563,473,853** [2] |

[1] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 515,145,579 of these shares were reserved for capital instruments.

[2] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.

## 22 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:

- are offset in the Group's consolidated balance sheets; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

### Derivatives

The Group transacts bilateral OTC derivatives mainly under the International Swaps and Derivatives Association (ISDA) Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Group to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values (NRV) and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Exchange-traded derivatives or OTC-cleared derivatives, that are fully margined and for which the daily margin payments constitute settlement of the outstanding exposure, are not included in the offsetting disclosures because they are not subject to offsetting due to the daily settlement. The daily margin payments, which are not settled until the next settlement cycle is conducted, are presented in brokerage receivables or brokerage payables. The notional amount for these daily settled derivatives is included in the fair value of derivative instruments table in "Note 26 – Derivatives and hedging activities".

Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of derivatives

| end of | 1Q16 | | 4Q15 | |
|---|---|---|---|---|
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 23.3 | 20.7 | 15.7 | 14.5 |
| OTC | 180.6 | 174.6 | 153.0 | 146.5 |
| Exchange-traded | 0.1 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **204.0** | **195.3** | **168.7** | **161.0** |
| OTC-cleared | 0.0 | 0.1 | 0.0 | 0.0 |
| OTC | 58.1 | 66.1 | 58.1 | 68.2 |
| Exchange-traded | 0.2 | 0.2 | 0.3 | 0.3 |
| **Foreign exchange products** | **58.3** | **66.4** | **58.4** | **68.5** |
| OTC | 11.6 | 13.0 | 12.0 | 13.3 |
| Exchange-traded | 11.0 | 13.4 | 8.9 | 11.2 |
| **Equity/index-related products** | **22.6** | **26.4** | **20.9** | **24.5** |
| OTC-cleared | 3.6 | 3.8 | 3.8 | 4.0 |
| OTC | 11.4 | 10.7 | 13.5 | 12.4 |
| **Credit derivatives** | **15.0** | **14.5** | **17.3** | **16.4** |
| OTC | 2.5 | 1.6 | 2.6 | 1.5 |
| Exchange-traded | 0.0 | 0.0 | 0.1 | 0.1 |
| **Other products** | **2.5** | **1.6** | **2.7** | **1.6** |
| OTC-cleared | 26.9 | 24.6 | 19.5 | 18.5 |
| OTC | 264.2 | 266.0 | 239.2 | 241.9 |
| Exchange-traded | 11.3 | 13.6 | 9.3 | 11.6 |
| **Total gross derivatives subject to enforceable master netting agreements** | **302.4** | **304.2** | **268.0** | **272.0** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (24.8) | (24.4) | (19.0) | (18.5) |
| OTC | (242.3) | (249.8) | (217.1) | (226.5) |
| Exchange-traded | (10.7) | (11.8) | (9.0) | (9.9) |
| **Offsetting** | **(277.8)** | **(286.0)** | **(245.1)** | **(254.9)** |
| of which counterparty netting | (251.6) | (251.6) | (223.0) | (223.0) |
| of which cash collateral netting | (26.2) | (34.4) | (22.1) | (31.9) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 2.1 | 0.2 | 0.5 | 0.0 |
| OTC | 21.9 | 16.2 | 22.1 | 15.4 |
| Exchange-traded | 0.6 | 1.8 | 0.3 | 1.7 |
| **Total net derivatives subject to enforceable master netting agreements** | **24.6** | **18.2** | **22.9** | **17.1** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **5.5** | **6.7** | **5.7** | **6.5** |
| **Total net derivatives presented in the consolidated balance sheets** | **30.1** | **24.9** | **28.6** | **23.6** |
| of which recorded in trading assets and trading liabilities | 29.8 | 24.6 | 28.4 | 23.5 |
| of which recorded in other assets and other liabilities | 0.3 | 0.2 | 0.2 | 0.1 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

**Reverse repurchase and repurchase agreements and securities lending and borrowing transactions**

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Transactions under such agreements are netted in the consolidated balance sheets if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheets if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheets. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheets.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of March 31, 2016 and December 31, 2015. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

**Offsetting of securities purchased under resale agreements and securities borrowing transactions**

| end of | 1Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | **Net** | Gross | Offsetting | **Net** |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 99.9 | (16.3) | 83.6 | 92.0 | (19.6) | 72.4 |
| Securities borrowing transactions | 22.1 | (4.1) | 18.0 | 21.4 | (3.9) | 17.5 |
| **Total subject to enforceable master netting agreements** | **122.0** | **(20.4)** | **101.6** | **113.4** | **(23.5)** | **89.9** |
| **Total not subject to enforceable master netting agreements** [1] | **34.6** | **–** | **34.6** | **33.1** | **–** | **33.1** |
| **Total** | **156.6** | **(20.4)** | **136.2** [2] | **146.5** | **(23.5)** | **123.0** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

[2] CHF 92,788 million and CHF 83,565 million of the total net amount as of the end of 1Q16 and 4Q15, respectively, are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

### Offsetting of securities sold under repurchase agreements and securities lending transactions

| end of | 1Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | **Net** | Gross | Offsetting | **Net** |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 37.8 | (18.0) | 19.8 | 43.2 | (21.4) | 21.8 |
| Securities lending transactions | 9.8 | (2.4) | 7.4 | 9.8 | (2.1) | 7.7 |
| Obligation to return securities received as collateral, at fair value | 19.4 | 0.0 | 19.4 | 19.4 | 0.0 | 19.4 |
| **Total subject to enforceable master netting agreements** | **67.0** | **(20.4)** | **46.6** | **72.4** | **(23.5)** | **48.9** |
| **Total not subject to enforceable master netting agreements** [1] | **19.3** | **–** | **19.3** | **26.2** | **–** | **26.2** |
| **Total** | **86.3** | **(20.4)** | **65.9** | **98.6** | **(23.5)** | **75.1** |
| of which securities sold under repurchase agreements and securities lending transactions | 60.5 | (20.4) | 40.1 [2] | 70.1 | (23.5) | 46.6 [2] |
| of which obligation to return securities received as collateral, at fair value | 25.8 | 0.0 | 25.8 | 28.5 | 0.0 | 28.5 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 25,421 million and CHF 32,398 million of the total net amount as of the end of 1Q16 and 4Q15, respectively, are reported at fair value.

The following table presents the net amount presented in the consolidated balance sheets of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheets. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

### Amounts not offset in the consolidated balance sheets

| end of | 1Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 24.6 | 6.5 | 1.3 | 16.8 | 22.9 | 6.2 | 0.8 | 15.9 |
| Securities purchased under resale agreements | 83.6 | 83.6 | 0.0 | 0.0 | 72.4 | 72.4 | 0.0 | 0.0 |
| Securities borrowing transactions | 18.0 | 17.6 | 0.0 | 0.4 | 17.5 | 17.1 | 0.0 | 0.4 |
| **Total financial assets subject to enforceable master netting agreements** | **126.2** | **107.7** | **1.3** | **17.2** | **112.8** | **95.7** | **0.8** | **16.3** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 18.2 | 4.1 | 0.0 | 14.1 | 17.1 | 3.4 | 0.0 | 13.7 |
| Securities sold under repurchase agreements | 19.8 | 19.7 | 0.0 | 0.1 | 21.8 | 21.8 | 0.0 | 0.0 |
| Securities lending transactions | 7.4 | 7.2 | 0.0 | 0.2 | 7.7 | 7.4 | 0.0 | 0.3 |
| Obligation to return securities received as collateral, at fair value | 19.4 | 18.7 | 0.0 | 0.7 | 19.4 | 18.5 | 0.0 | 0.9 |
| **Total financial liabilities subject to enforceable master netting agreements** | **64.8** | **49.7** | **0.0** | **15.1** | **66.0** | **51.1** | **0.0** | **14.9** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of credit default swaps (CDS) and credit insurance contracts. Therefore the net exposure presented in the table above is not representative of the Group's counterparty exposure.

## 23 Tax

The income tax benefit of CHF 179 million recorded in 1Q16 mainly reflected the impact of the geographical mix of results.

The quarterly income tax expense includes the impact of the continuous reassessment of the estimated annual effective tax rate as well as the impact of items that need to be recorded in the specific interim period in which they occur.

Net deferred tax assets related to net operating losses, net deferred tax assets on temporary differences and net deferred tax liabilities are presented in the following manner. Nettable gross deferred tax liabilities are allocated on a pro-rata basis to gross deferred tax assets on net operating losses and gross deferred tax assets on temporary differences. This approach is aligned with the underlying treatment of netting gross deferred tax assets and liabilities under the Basel III framework. Valuation allowances have been allocated against such deferred tax assets on net operating losses first with any remainder allocated to such deferred tax assets on temporary differences. This presentation is considered the most appropriate disclosure given the underlying nature of the gross deferred tax balances.

As of March 31, 2016, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 4.5 billion which are considered indefinitely reinvested. The Group would need to accrue and pay taxes on these undistributed earnings if such earnings were repatriated. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date. It is reasonably possible that there will be a decrease between zero and CHF 7 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Japan – 2012; Switzerland – 2011; Brazil – 2010; the US – 2010; the UK – 2009; and the Netherlands – 2005.

### Effective tax rate

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Effective tax rate (%)** | **37.0** | 9.7 | 31.6 |

### Tax expense reconciliation

| in CHF million | 1Q16 |
|---|---|
| **Income tax expense/(benefit) computed at the Swiss statutory tax rate of 22%** | **(106)** |
| Increase/(decrease) in income taxes resulting from | |
| Foreign tax rate differential | (135) |
| Changes in tax law and rates | 4 |
| Other non-deductible expenses | 204 |
| Changes in deferred tax valuation allowance | 110 |
| Lower taxed income | (140) |
| Change in recognition of outside basis difference | (3) |
| Tax deductible impairments of Swiss subsidiary investments | (52) |
| Other | (61) |
| **Income tax expense/(benefit)** | **(179)** |

**Foreign tax rate differential**
1Q16 included a foreign tax benefit of CHF 135 million in respect of earnings in higher tax jurisdictions, such as the US, as well as earnings in lower tax jurisdictions, such as Singapore.

**Other non-deductible expenses**
1Q16 included the impact of non-deductible interest expenses of CHF 150 million, non-deductible bank levy costs and other non-deductible expenses of CHF 45 million and non-deductible litigation settlement charge of CHF 9 million.

**Changes in deferred tax valuation allowance**
1Q16 included the impact of the increase of valuation allowances of CHF 125 million mainly in respect of two of the Group's operating entities, both in the UK, and a decrease of valuation allowances of CHF 15 million mainly in respect of one of the Group's operating entities in Switzerland, related to estimated current year earnings.

**Lower taxed income**
1Q16 included the impact of a beneficial earnings mix in one of the Group's operating entities in Switzerland of CHF 87 million, a CHF 30 million income tax benefit related to non-taxable life insurance income, CHF 13 million related to exempt income and CHF 10 million relating to non-taxable foreign exchange gains.

**Change in recognition of outside basis difference**
1Q16 included a CHF 3 million income tax benefit related to a decrease of the outside basis difference relating to Swiss subsidiary investments.

### Other

1Q16 included a tax benefit of CHF 70 million relating to the reassessment of deferred tax balances in one of the Group's operating entities in Switzerland, a tax benefit of CHF 17 million from prior year adjustments and a tax benefit of CHF 14 million relating to the decrease of tax contingency accruals, partially offset by a tax expense of CHF 62 million from own credit revaluation gains. The remaining balance included various smaller items.

### Net deferred tax assets

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Net deferred tax assets (CHF million)** | | |
| Deferred tax assets | 6,341 | 6,179 |
| of which net operating losses | 2,348 | 1,754 |
| of which deductible temporary differences | 3,993 | 4,425 |
| Deferred tax liabilities | (50) | (54) |
| **Net deferred tax assets** | **6,291** | **6,125** |

## 24 Employee deferred compensation

The Group's current and previous deferred compensation plans include share awards, performance share awards, CCA, Capital Opportunity Facility awards, Plus Bond awards, Partner Asset Facilities awards, Restricted Cash Awards and other cash awards.

▸ Refer to "Note 29 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

The following tables show the compensation expense for deferred compensation awards recognized in the consolidated statements of operations, the estimated unrecognized expense for deferred compensation awards granted in 1Q16 and prior periods and the remaining requisite service period over which the unrecognized expense will be recognized. The estimated unrecognized compensation expense was based on the fair value of each award on the grant date and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments.

### Deferred compensation expense

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | |
| Share awards | 195 | 195 | 237 |
| Performance share awards | 119 | 126 | 167 |
| Contingent Capital Awards | 19 | 167 | 121 |
| Capital Opportunity Facility awards | 3 | 5 | 4 |
| Plus Bond awards [1] | 5 | 6 | 6 |
| 2011 Partner Asset Facility awards [2] | 0 | 1 | 1 |
| Restricted Cash Awards | 0 | 9 | 10 |
| 2008 Partner Asset Facility awards [3] | (8) | (29) | 12 |
| Other cash awards | 33 | 113 | 128 |
| **Total deferred compensation expense** | **366** | **593** | **686** |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in 1Q13 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in underlying fair value of the indexed assets prior to the CCA conversion.
[3] Compensation expense mainly includes the change in underlying fair value of the indexed assets during the period.

### Estimated unrecognized deferred compensation

| end of | 1Q16 |
|---|---|
| **Estimated unrecognized compensation expense (CHF million)** | |
| Share awards | 906 |
| Performance share awards | 416 |
| Contingent Capital Awards | 272 |
| Contingent Capital share awards | 64 |
| Other cash awards | 156 |
| **Total** | **1,814** |
| **Weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.3 |

### 1Q16 activity

In 1Q16, the Group granted share awards, performance share awards and CCA as part of the 2015 deferred variable compensation. Expense recognition for these awards began in 1Q16 and will continue over the remaining service or vesting period of each respective award.

### Share awards

In 1Q16, the Group granted 31.6 million share awards at a weighted average share price of CHF 18.47. Each share award granted entitles the holder of the award to receive one Group share 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.

### Performance share awards

In 1Q16, the Group granted 21.4 million performance share awards at a weighted average share price of CHF 18.62. 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, the outstanding performance share awards are subject to a negative adjustment in the event of a divisional loss by the division in which the employee worked as of December 31, 2015, or a negative return on equity (ROE) of the Group, whichever results in a larger adjustment. For employees in corporate functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative ROE of the Group and is not linked to the performance of the divisions.

### Contingent Capital Awards

In 1Q16, the Group awarded CHF 226 million of CCA. CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from the grant date.

In March 2016, the Group executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective CCA into Contingent Capital share awards at a conversion price of CHF 14.57. CCA holders elected to convert CHF 226 million of their CCA into Contingent Capital share awards during the election period. This fair value represented an approximate conversion rate of 15%. Each Contingent Capital share award had a grant-date fair value of CHF 14.45 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original CCA.

Upon conversion, CHF 136 million of the liability related to CCA that were converted into Contingent Capital share awards was reclassified to total shareholders' equity.

### Share-based award activity

| | 1Q16 | | |
|---|---|---|---|
| Number of awards (in millions) | Share awards | Performance share awards | Contingent Capital share awards |
| **Share-based award activities** | | | |
| **Balance at beginning of period** | **80.3** | **55.9** | **–** |
| Granted | 31.6 | 21.4 | 15.6 |
| Settled | (1.2) | 0.0 | 0.0 |
| Forfeited | (0.1) | 0.0 | 0.0 |
| **Balance at end of period** | **110.6** | **77.3** | **15.6** |
| of which vested | 36.3 | 28.0 | 2.6 |
| of which unvested | 74.3 | 49.3 | 13.0 |

## 25 Pension and other post-retirement benefits

The Group expects to contribute CHF 430 million to the Swiss and international defined benefit plans and other post-retirement defined benefit plans in 2016. As of the end of 1Q16, CHF 135 million of contributions had been made.

### Components of total benefit costs

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Total benefit costs (CHF million)** | | | |
| Service costs on benefit obligation | 77 | 80 | 79 |
| Interest costs on benefit obligation | 70 | 83 | 80 |
| Expected return on plan assets | (178) | (198) | (195) |
| Amortization of recognized prior service cost/(credit) | (29) | (28) | (27) |
| Amortization of recognized actuarial losses | 105 | 115 | 111 |
| **Net periodic benefit costs** | **45** | **52** | **48** |
| Settlement losses | 2 | 22 | 1 |
| Curtailment losses/(gains) | (7) | 1 | (1) |
| Special termination benefits | 1 | 1 | 1 |
| **Total benefit costs** | **41** | **76** | **49** |

## 26 Derivatives and hedging activities

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 29 – Financial instruments" for further information.

### Fair value of derivative instruments

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 1Q16 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 7,989.5 | 2.1 | 2.4 | 0.0 | 0.0 | 0.0 |
| Swaps | 15,835.3 | 139.5 | 133.9 | 52.4 | 1.4 | 1.1 |
| Options bought and sold (OTC) | 2,704.1 | 62.3 | 59.7 | 0.0 | 0.0 | 0.0 |
| Futures | 1,076.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 253.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **27,859.0** | **204.0** | **196.0** | **52.4** | **1.4** | **1.1** |
| Forwards | 1,183.1 | 18.1 | 17.5 | 11.6 | 0.1 | 0.1 |
| Swaps | 959.4 | 32.7 | 41.8 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 492.9 | 8.7 | 9.1 | 4.1 | 0.0 | 0.0 |
| Futures | 26.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 16.5 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **2,678.7** | **59.8** | **68.6** | **15.7** | **0.1** | **0.1** |
| Forwards | 1.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 170.8 | 4.9 | 6.4 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 208.1 | 8.6 | 7.9 | 0.0 | 0.0 | 0.0 |
| Futures | 43.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 303.6 | 11.0 | 13.6 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **726.7** | **24.5** | **28.0** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **881.2** | **15.4** | **15.1** | **0.0** | **0.0** | **0.0** |
| Forwards | 6.7 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 18.4 | 2.3 | 1.6 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 9.7 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| Futures | 15.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **50.8** | **2.7** | **2.0** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **32,196.4** | **306.4** | **309.7** | **68.1** | **1.5** | **1.2** |

The notional amount, PRV and NRV (trading and hedging) was CHF 32,264.5 billion, CHF 307.9 billion and CHF 310.9 billion, respectively, as of March 31, 2016.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 4Q15 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 7,229.5 | 1.0 | 1.2 | 0.0 | 0.0 | 0.0 |
| Swaps | 16,737.7 | 118.3 | 112.8 | 54.3 | 1.3 | 1.0 |
| Options bought and sold (OTC) | 2,856.0 | 49.2 | 47.4 | 0.0 | 0.0 | 0.0 |
| Futures | 1,789.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 198.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **28,811.5** | **168.6** | **161.4** | **54.3** | **1.3** | **1.0** |
| Forwards | 1,498.4 | 16.6 | 16.9 | 10.7 | 0.0 | 0.1 |
| Swaps | 1,050.7 | 30.5 | 40.8 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 534.8 | 12.8 | 12.8 | 8.2 | 0.0 | 0.0 |
| Futures | 22.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 13.0 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **3,119.4** | **60.2** | **70.8** | **18.9** | **0.0** | **0.1** |
| Forwards | 1.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 203.8 | 5.1 | 6.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 193.1 | 8.4 | 7.5 | 0.0 | 0.0 | 0.0 |
| Futures | 39.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 284.4 | 9.1 | 11.4 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **722.5** | **22.6** | **25.7** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **831.9** | **17.8** | **17.3** | **0.0** | **0.0** | **0.0** |
| Forwards | 6.3 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 19.6 | 2.6 | 1.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 8.8 | 0.4 | 0.3 | 0.0 | 0.0 | 0.0 |
| Futures | 11.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 1.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **47.7** | **3.2** | **2.2** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **33,533.0** | **272.4** | **277.4** | **73.2** | **1.3** | **1.1** |

The notional amount, PRV and NRV (trading and hedging) was CHF 33,606.2 billion, CHF 273.7 billion and CHF 278.5 billion, respectively, as of December 31, 2015.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Netting of derivative instruments

▸ Refer to "Derivatives" in Note 22 – Offsetting of financial assets and financial liabilities for further information of the netting of derivative instruments.

## Fair value hedges

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | |
| Interest rate products | 1,218 | (373) | 47 |
| Foreign exchange products | 0 | 0 | 2 |
| **Total** | **1,218** | **(373)** | **49** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | |
| Interest rate products | (1,320) | 408 | (42) |
| Foreign exchange products | 0 | 0 | (2) |
| **Total** | **(1,320)** | **408** | **(44)** |
| **Details of fair value hedges (CHF million)** | | | |
| Net gains/(losses) on the ineffective portion | (102) | 35 | 5 |

Represents gains/(losses) recognized in trading revenues.

## Cash flow hedges

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Interest rate products | 62 | (75) | 59 |
| Foreign exchange products | (5) | 3 | (50) |
| **Total** | **57** | **(72)** | **9** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Interest rate products | 8 [1] | 6 [1,2] | 9 [1] |
| Foreign exchange products | (9) [3,4] | (19) [2,3,4] | (15) [2,3,4] |
| Total | **(1)** | **(13)** | **(6)** |
| **Details of cash flow hedges (CHF million)** | | | |
| Net gains/(losses) on the ineffective portion [2] | 32 | (19) | 4 |

Represents gains/(losses) on effective portion.
[1] Included in interest and dividend income.
[2] Included in trading revenues.
[3] Included in other revenues.
[4] Included in total other operating expenses.

As of the end of 1Q16, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

The net gain associated with cash flow hedges expected to be reclassified from accumulated other comprehensive income/loss (AOCI) within the next 12 months is CHF 19 million.

## Net investment hedges

| in | 1Q16 | 4Q15 | 1Q15 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Foreign exchange products | (20) | (180) | 487 |
| **Total** | **(20)** | **(180)** | **487** |

Represents gains/(losses) on effective portion.

The Group includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

Certain of the Group's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty, at the existing mark-to-market replacement value of the derivative contract.

The following table provides the Group's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and SPEs that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch and a two-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

### Contingent credit risk

| end of | 1Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 12.6 | 0.5 | 1.2 | **14.3** | 13.2 | 0.5 | 1.4 | **15.1** |
| Collateral posted | 11.8 | 0.5 | – | **12.3** | 12.3 | 0.5 | – | **12.8** |
| Additional collateral required in a one-notch downgrade event | 0.3 | 0.6 | 0.1 | **1.0** | 0.7 | 0.4 | 0.1 | **1.2** |
| Additional collateral required in a two-notch downgrade event | 1.4 | 1.0 | 0.6 | **3.0** | 1.8 | 0.7 | 0.6 | **3.1** |
| Additional collateral required in a three-notch downgrade event | 1.7 | 1.1 | 0.8 | **3.6** | 2.1 | 1.3 | 0.8 | **4.2** |

### Credit derivatives

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on credit derivatives.

#### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" tables. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other derivative instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 7.6 billion and CHF 7.8 billion as of the end of 1Q16 and 4Q15, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

#### Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events.

#### Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold.

#### Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

#### Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

## Credit protection sold/purchased

| end of | 1Q16 | | | | | 4Q15 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (175.0) | 163.3 | (11.7) | 28.7 | 1.4 | (199.6) | 188.6 | (11.0) | 26.9 | 1.0 |
| Non-investment grade | (68.0) | 63.7 | (4.3) | 13.9 | (2.2) | (65.2) | 61.1 | (4.1) | 15.7 | (3.2) |
| **Total single-name instruments** | **(243.0)** | **227.0** | **(16.0)** | **42.6** | **(0.8)** | **(264.8)** | **249.7** | **(15.1)** | **42.6** | **(2.2)** |
| of which sovereign | (43.4) | 39.5 | (3.9) | 6.8 | (1.2) | (47.5) | 43.9 | (3.6) | 6.1 | (1.1) |
| of which non-sovereign | (199.6) | 187.5 | (12.1) | 35.8 | 0.4 | (217.3) | 205.8 | (11.5) | 36.5 | (1.1) |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (114.7) | 113.6 | (1.1) | 46.3 | 0.0 | (89.1) | 88.3 | (0.8) | 31.6 | (0.5) |
| Non-investment grade | (38.1) | 34.6 [3] | (3.5) | 4.3 | 0.7 | (24.4) | 18.0 [3] | (6.4) | 6.2 | 0.2 |
| **Total multi-name instruments** | **(152.8)** | **148.2** | **(4.6)** | **50.6** | **0.7** | **(113.5)** | **106.3** | **(7.2)** | **37.8** | **(0.3)** |
| of which sovereign | (0.9) | 0.9 | 0.0 | 0.7 | 0.1 | (1.0) | 1.0 | 0.0 | 1.0 | 0.0 |
| of which non-sovereign | (151.9) | 147.3 | (4.6) | 49.9 | 0.6 | (112.5) | 105.3 | (7.2) | 36.8 | (0.3) |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (289.7) | 276.9 | (12.8) | 75.0 | 1.4 | (288.7) | 276.9 | (11.8) | 58.5 | 0.5 |
| Non-investment grade | (106.1) | 98.3 | (7.8) | 18.2 | (1.5) | (89.6) | 79.1 | (10.5) | 21.9 | (3.0) |
| **Total instruments** | **(395.8)** | **375.2** | **(20.6)** | **93.2** | **(0.1)** | **(378.3)** | **356.0** | **(22.3)** | **80.4** | **(2.5)** |
| of which sovereign | (44.3) | 40.4 | (3.9) | 7.5 | (1.1) | (48.5) | 44.9 | (3.6) | 7.1 | (1.1) |
| of which non-sovereign | (351.5) | 334.8 | (16.7) | 85.7 | 1.0 | (329.8) | 311.1 | (18.7) | 73.3 | (1.4) |

[1] Represents credit protection purchased with identical underlyings and recoveries.
[2] Based on internal ratings of BBB and above.
[3] Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

## Credit derivatives

| end of | **1Q16** | 4Q15 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 395.8 | 378.3 |
| Credit protection purchased | 375.2 | 356.0 |
| Other protection purchased | 93.2 | 80.4 |
| Other instruments [1] | 17.0 | 17.2 |
| **Total credit derivatives** | **881.2** | **831.9** |

[1] Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

## Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | **Total** |
|---|---|---|---|---|
| **1Q16 (CHF billion)** | | | | |
| Single-name instruments | 50.1 | 156.8 | 36.1 | 243.0 |
| Multi-name instruments | 14.5 | 122.8 | 15.5 | 152.8 |
| **Total instruments** | **64.6** | **279.6** | **51.6** | **395.8** |
| **4Q15 (CHF billion)** | | | | |
| Single-name instruments | 52.1 | 196.4 | 16.3 | 264.8 |
| Multi-name instruments | 19.0 | 84.9 | 9.6 | 113.5 |
| **Total instruments** | **71.1** | **281.3** | **25.9** | **378.3** |

## 27 Guarantees and commitments

### Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate Credit Suisse to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Group's current best estimate of payments that will be required under existing guarantee arrangements.

Guarantees provided by the Group are classified as follows: credit guarantees and similar instruments, performance guarantees and similar instruments, derivatives and other guarantees. The Group no longer provides guarantees for securities lending indemnifications.

▸ Refer to "Guarantees" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a detailed description of guarantees.

### Guarantees

| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|
| **1Q16 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,274 | 1,316 | 3,590 | 3,384 | 11 | 1,753 |
| Performance guarantees and similar instruments | 4,457 | 2,283 | 6,740 | 5,788 | 91 | 2,912 |
| Derivatives [2] | 25,497 | 9,630 | 35,127 | 35,127 | 934 | – [3] |
| Other guarantees | 3,650 | 1,416 | 5,066 | 5,062 | 44 | 3,245 |
| **Total guarantees** | **35,878** | **14,645** | **50,523** | **49,361** | **1,080** | **7,910** |
| **4Q15 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,916 | 1,486 | 4,402 | 4,193 | 25 | 1,729 |
| Performance guarantees and similar instruments | 4,295 | 2,704 | 6,999 | 6,100 | 78 | 3,144 |
| Derivatives [2] | 23,529 | 14,660 | 38,189 | 38,189 | 755 | – [3] |
| Other guarantees | 3,958 | 1,521 | 5,479 | 5,474 | 52 | 3,533 |
| **Total guarantees** | **34,698** | **20,371** | **55,069** | **53,956** | **910** | **8,406** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2015 to June 30, 2016 is CHF 0.6 billion. These deposit insurance guarantees were reflected in other guarantees.

### Representations and warranties on residential mortgage loans sold

In connection with the former Investment Banking division's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises, Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims made within the statute of limitations (including the likelihood and ability to enforce

claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

During the first three months of 2016, the Group received repurchase claims for residential mortgage loans that were not significant, and loans repurchased during this period and related losses were not significant. The balance of outstanding repurchase claims as of the end of 1Q16 was not significant.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so during the reporting period, are not included in this Guarantees and commitments disclosure but are addressed in litigation and related loss contingencies and provisions. The Group is involved in litigation relating to representations and warranties on residential mortgages sold.

▸ Refer to "Note 31 – Litigation" for further information.

**Disposal-related contingencies and other indemnifications**

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees include disposal-related contingencies in connection with the sale of assets or businesses, and other indemnifications. These guarantees are not reflected in the "Guarantees" table.

▸ Refer to "Disposal-related contingencies and other indemnifications" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a description of these guarantees.

**Other commitments**

Other commitments of the Group are classified as follows: irrevocable commitments under documentary credits, irrevocable loan commitments, forward reverse repurchase agreements and other commitments.

▸ Refer to "Other commitments" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Guarantees and commitments in the Credit Suisse Annual Report 2015 for a description of these commitments.

**Other commitments**

| end of | 1Q16 | | | | | 4Q15 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received |
| **Other commitments (CHF million)** | | | | | | | | | | |
| Irrevocable commitments under documentary credits | 3,837 | 9 | 3,846 | 3,742 | 2,480 | 4,022 | 7 | 4,029 | 3,935 | 2,468 |
| Irrevocable loan commitments [2] | 31,168 | 90,819 | 121,987 | 118,277 | 55,858 | 33,890 | 103,763 | 137,653 | 133,833 | 63,276 |
| Forward reverse repurchase agreements | 284 | 0 | 284 | 284 | 284 | 48 | 0 | 48 | 48 | 48 |
| Other commitments | 474 | 179 | 653 | 653 | 82 | 450 | 322 | 772 | 771 | 6 |
| **Total other commitments** | **35,763** | **91,007** | **126,770** | **122,956** | **58,704** | **38,410** | **104,092** | **142,502** | **138,587** | **65,798** |

[1] Total net amount is computed as the gross amount less any participations.

[2] Irrevocable loan commitments do not include a total gross amount of CHF 97,349 million and CHF 98,495 million of unused credit limits as of the end of 1Q16 and 4Q15, respectively, which were revocable at the Group's sole discretion upon notice to the client.

## 28 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, special purpose entities (SPEs). An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and Group tax or regulatory purposes.

### TRANSFERS OF FINANCIAL ASSETS

**Securitizations**

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, commercial paper (CP) and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue CMBS, RMBS and asset-backed securities (ABS) that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to

the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include managed CLOs, CLOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CLOs are collateralized by loans transferred to the CLO vehicle and pay a return based on the returns on the loans. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed financing structures investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and loans involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 1Q16 and 1Q15 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

### Securitizations

| in | 1Q16 | 1Q15 |
|---|---|---|
| **Gains and cash flows (CHF million)** | | |
| **CMBS** | | |
| Net gain/(loss) [1] | (2) | (3) |
| Proceeds from transfer of assets | 2,427 | 1,545 |
| Cash received on interests that continue to be held | 19 | 32 |
| **RMBS** | | |
| Net gain/(loss) [1] | (1) | 4 |
| Proceeds from transfer of assets | 2,718 | 3,326 |
| Servicing fees | 1 | 0 |
| Cash received on interests that continue to be held | 99 | 101 |
| **Other asset-backed financings** | | |
| Net gain [1] | 8 | 5 |
| Proceeds from transfer of assets | 554 [2] | 218 |
| Fees [3] | 29 | – |
| Cash received on interests that continue to be held | 1 | 2 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

[2] Excludes a net impact of CHF 3,109 million from transfers of assets prior to 1Q16 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, "Amendments to the Consolidation Analysis", on January 1, 2016.

[3] Represents management fees and performance fees earned for investment management services provided to managed CLOs.

#### Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets.

▸ Refer to "Transfer of financial assets" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for a detailed description of continuing involvement in transferred financial assets.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 1Q16 and 4Q15, regardless of when the transfer of assets occurred.

### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 36,255 | 40,625 |
| Total assets of SPE | 49,171 | 56,118 |
| **RMBS** | | |
| Principal amount outstanding | 45,895 | 54,164 |
| Total assets of SPE | 47,441 | 55,833 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 17,480 [1] | 21,653 |
| Total assets of SPE | 30,246 [1] | 22,787 |

Principal amount outstanding relates to assets transferred from the Group and does not include principal amounts for assets transferred from third parties.

[1] Includes a net impact of CHF 3,208 million in principal amount outstanding and of CHF 16,625 million in total assets of the SPE from transfers of assets prior to 1Q16 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, "Amendments to the Consolidation Analysis", on January 1, 2016.

#### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Group may utilize to hedge the inherent risks.

#### Key economic assumptions at the time of transfer

▸ Refer to "Note 29 – Financial instruments" for information on fair value hierarchy levels.

### Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

| at time of transfer, in | 1Q16 | | 1Q15 | |
|---|---|---|---|---|
| | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 29 | 720 | 404 | 333 |
| of which level 2 | 29 | 670 | 382 | 211 |
| of which level 3 | 0 | 50 | 22 | 123 |
| Weighted-average life, in years | 11.1 | 6.6 | 9.1 | 8.8 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 8.1–22.3 | – [2] | 4.5–27.7 |
| Cash flow discount rate (rate per annum), in % [3] | 2.9–4.9 | 1.4–7.1 | 2.2–4.8 | 1.9–13.6 |
| Expected credit losses (rate per annum), in % | 0.0–0.0 | 0.0–0.0 | 0.0–0.0 | 0.5–12.5 |

Transfers of assets in which the Group does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

#### Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 1Q16 and 4Q15.

### Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

| end of | 1Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 733 | 2,711 | 217 | 1,007 | 2,274 | 56 |
| of which non-investment grade | 73 | 848 | 42 | 73 | 581 | 55 |
| Weighted-average life, in years | 6.5 | 7.2 | 5.5 | 6.7 | 9.7 | 2.5 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.4–30.4 | – | – | 1.0–37.1 | – |
| Impact on fair value from 10% adverse change | – | (30.9) | – | – | (30.5) | – |
| Impact on fair value from 20% adverse change | – | (59.9) | – | – | (57.6) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.6–10.3 | 1.2–38.4 | 1.5–21.2 | 2.1–13.3 | 1.5–35.5 | 5.7–21.2 |
| Impact on fair value from 10% adverse change | (10.9) | (52.0) | (4.6) | (18.1) | (63.1) | (0.7) |
| Impact on fair value from 20% adverse change | (21.4) | (101.5) | (9.1) | (35.6) | (122.5) | (1.5) |
| Expected credit losses (rate per annum), in % | 1.1–9.4 | 0.1–37.0 | 0.2–18.2 | 0.9–12.7 | 1.3–34.3 | 0.2–14.2 |
| Impact on fair value from 10% adverse change | (5.8) | (33.5) | (3.5) | (8.0) | (32.3) | (0.7) |
| Impact on fair value from 20% adverse change | (11.4) | (64.8) | (6.9) | (15.9) | (63.2) | (1.5) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.
[2] CDOs and CLOs within this category are generally structured to be protected from prepayment risk.
[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.
[4] The rate was based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

## Transfers of financial assets where sale treatment was not achieved

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 1Q16 and 4Q15.

▸ Refer to "Note 30 – Assets pledged and collateral" for further information.

### Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **CHF million** | | |
| **RMBS** | | |
| Other assets | 0 | 266 |
| Liability to SPE, included in Other liabilities | 0 | (266) |
| **Other asset-backed financings** | | |
| Trading assets | 223 | 155 |
| Other assets | 122 | 122 |
| Liability to SPE, included in Other liabilities | (345) | (277) |

### Transfers of financial assets accounted for as a sale

US GAAP requires the disclosure of a transaction accounted for as a sale that comprises both of the following: a transfer of financial assets to a transferee and an agreement entered into in contemplation of the initial transfer with the transferee that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. In the ordinary course of business, the Group transfers a financial asset accounted for as a sale and, in some instances, enters into an agreement in contemplation of that initial transfer with the same counterparty to retain substantially all of the economics of that transferred financial asset. As of the end of 1Q16 and 4Q15, the Group had agreements in the form of TRS on equity securities and longevity swaps on life insurance policies.

The following table presents information about the transfers of financial assets accounted for as sales with agreements that

result in the Group retaining substantially all of the exposure to the economic return on the transferred assets at the date of sale and remain outstanding as of the end of 1Q16 and 4Q15, respectively, gross cash proceeds received for assets derecognized at the date of sale and the fair values of transferred assets and the aforementioned agreements as of the end of 1Q16 and 4Q15.

**Transfer of financial assets accounted for as sales – by transaction type**

| | at date of derecognition | | end of | | |
|---|---|---|---|---|---|
| | Carrying amount derecognized | Gross cash proceeds received for assets derecognized | Fair value of transferred assets | Gross derivative assets recorded [1] | Gross derivative liabilities recorded [1] |
| **1Q16 (CHF million)** | | | | | |
| Sales with total return swaps | 184 | 187 | 181 | – | 7 |
| Sales with longevity swaps | 308 | 378 | 385 | 554 | – |
| **Total transactions outstanding** | **492** | **565** | **566** | **554** [2] | **7** [2] |
| **4Q15 (CHF million)** | | | | | |
| Sales with total return swaps | 395 | 397 | 398 | 7 | 7 |
| Sales with longevity swaps | 308 | 378 | 375 | 546 | – |
| **Total transactions outstanding** | **703** | **775** | **773** | **553** [3] | **7** [3] |

[1] Balances presented on a gross basis, before application of counterparty and cash collateral netting.
[2] As of the end of 1Q16, gross derivative assets of CHF 554 million were included in other products and gross derivative liabilities of CHF 7 million were included in equity/index-related products, as disclosed in Note 26 – Derivatives and hedging activities.
[3] As of the end of 4Q15, gross derivative assets of CHF 7 million and CHF 546 million were included in equity/index-related products and other products, respectively, and gross derivative liabilites of CHF 7 million were included in equity/index-related products, as disclosed in Note 26 – Derivatives and hedging activities.

## Securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings

For securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings, US GAAP requires the disclosure of the collateral pledged and the associated risks to which a transferor continues to be exposed after the transfer. This provides an understanding of the nature and risks of short-term collateralized financing obtained through these types of transactions.

Securities sold under repurchase agreements and securities lending transactions represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activities. These transactions are collateralized principally by government debt securities, corporate debt securities, asset-backed securities, equity securities and other collateral and have terms ranging from on demand to a longer period of time.

In the event of the Group's default or a decline in fair value of collateral pledged, the repurchase agreement or security lending transaction provides the counterparty with the right to liquidate the collateral held or request additional collateral.

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of the end of 1Q16.

**Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by class of collateral pledged**

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **CHF billion** | | |
| Government debt securities | 17.9 | 21.1 |
| Corporate debt securities | 13.6 | 15.2 |
| Asset-backed securities | 16.9 | 21.6 |
| Equity securities | 0.3 | 0.1 |
| Other | 0.1 | 0.1 |
| **Securities sold under repurchase agreements** | **48.8** | **58.1** |
| Government debt securities | 3.5 | 3.1 |
| Corporate debt securities | 0.5 | 0.4 |
| Equity securities | 7.5 | 8.2 |
| Other | 0.2 | 0.3 |
| **Securities lending transactions** | **11.7** | **12.0** |
| Government debt securities | 1.3 | 0.5 |
| Corporate debt securities | 0.4 | 0.1 |
| Equity securities | 24.1 | 27.9 |
| **Obligation to return securities received as collateral, at fair value** | **25.8** | **28.5** |
| **Total** | **86.3** | **98.6** |

**Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by remaining contractual maturity**

| | | Remaining contractual maturities | | | |
|---|---|---|---|---|---|
| end of | On demand [1] | Up to 30 days [2] | 31–90 days | More than 90 days | Total |
| **1Q16 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 9.0 | 21.2 | 9.9 | 8.7 | 48.8 |
| Securities lending transactions | 5.4 | 5.3 | 0.2 | 0.8 | 11.7 |
| Obligation to return securities received as collateral, at fair value | 23.0 | 2.8 | 0.0 | 0.0 | 25.8 |
| **Total** | **37.4** | **29.3** | **10.1** | **9.5** | **86.3** |
| **4Q15 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 7.7 | 29.9 | 8.1 | 12.4 | 58.1 |
| Securities lending transactions | 6.0 | 3.6 | 1.8 | 0.6 | 12.0 |
| Obligation to return securities received as collateral, at fair value | 26.2 | 2.3 | 0.0 | 0.0 | 28.5 |
| **Total** | **39.9** | **35.8** | **9.9** | **13.0** | **98.6** |

[1] Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.
[2] Includes overnight transactions.

▸ Refer to "Note 22 – Offsetting of financial assets and financial liabilities" for further information on the gross amount of securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral and the net amounts disclosed in the consolidated balance sheets.

## VARIABLE INTEREST ENTITIES

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: CDO/CLOs, CP conduits and financial intermediation.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for a detailed description of VIEs, CDOs, CP conduit or financial intermediation.

### Collateralized debt obligations

The Group engages in CDO/CLO transactions to meet client and investor needs, earn fees and sell financial assets. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction.

### Commercial paper conduit

The Group continues to act as the administrator and provider of liquidity and credit enhancement facilities for one asset-backed CP conduit, Alpine, a client-focused multi-seller conduit vehicle. Alpine publishes portfolio and asset data and submits its portfolio to a rating agency for public ratings based on the cash flows of the portfolio taken as a whole. This CP conduit purchases assets, primarily loans and receivables, from clients and finances such purchases through the issuance of CP backed by these assets. For an asset to qualify for acquisition by the CP conduit, it must be rated at least investment grade after giving effect to the related asset-specific credit enhancement primarily provided by the client seller of the asset. The clients provide credit support to investors of the CP conduit in the form of over-collateralization and other asset-specific enhancements. Further, an unaffiliated investor retains a limited first-loss position in Alpine's entire portfolio. Alpine is a separate legal entity that is wholly owned by the Group. However, its assets are available to satisfy only the claims of its creditors. In addition, the Group, as administrator and liquidity and credit enhancement facilities provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Group is deemed the primary beneficiary and consolidates this entity. In 4Q15, the Group decided not to issue any CP from Alpine and all outstanding CP was fully repaid as of the end of 4Q15.

As of the end of 1Q16, Alpine's purchased assets consisted of advance financing receivables, while, as of the end of 4Q15, they consisted of advance financing receivables, student loans and CDOs. As of the end of 1Q16 and 4Q15, those assets had a weighted average rating of A and A-, respectively, based on the lowest of each asset's internal rating and, where available, external rating, and an average maturity of 2.5 years and 3.3 years, respectively.

### Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

Financial intermediation consists of securitizations, funds, loans and other vehicles.

### Consolidated VIEs

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Group consolidates all VIEs related to financial intermediation for which it was the primary beneficiary.

The consolidated VIEs tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of the end of 1Q16 and 4Q15.

## Consolidated VIEs in which the Group was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO/ CLO | CP Conduit | Securi-tizations | Funds | Loans | Other | **Total** |
| **1Q16 (CHF million)** | | | | | | | |
| Cash and due from banks | 58 | 0 | 32 | 104 | 98 | 22 | 314 |
| Trading assets | 0 | 0 | 171 | 772 | 972 | 1,229 | 3,144 |
| Investment securities | 0 | 0 | 1,066 | 0 | 0 | 0 | 1,066 |
| Other investments | 0 | 0 | 0 | 114 | 1,620 | 441 | 2,175 |
| Net loans | 0 | 0 | 0 | 0 | 28 | 325 | 353 |
| Premises and equipment | 0 | 0 | 0 | 0 | 288 | 0 | 288 |
| Other assets | 0 | 98 | 1,525 | 501 | 83 | 1,571 | 3,778 |
| of which loans held-for-sale | 0 | 0 | 443 | 0 | 16 | 0 | 459 |
| **Total assets of consolidated VIEs** | **58** | **98** | **2,794** | **1,491** | **3,089** | **3,588** | **11,118** |
| Trading liabilities | 0 | 0 | 0 | 3 | 19 | 0 | 22 |
| Short-term borrowings | 0 | 0 | 33 | 1 | 0 | 0 | 34 |
| Long-term debt | 73 | 0 | 1,851 | 82 | 132 | 9 | 2,147 |
| Other liabilities | 0 | 0 | 3 | 350 | 135 | 627 | 1,115 |
| **Total liabilities of consolidated VIEs** | **73** | **0** | **1,887** | **436** | **286** | **636** | **3,318** |
| **4Q15 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,351 | 0 | 21 | 9 | 93 | 219 | 1,693 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 53 | 0 | 0 | 0 | 0 | 53 |
| Trading assets | 283 | 49 | 0 | 941 | 1,001 | 98 | 2,372 |
| Investment securities | 0 | 0 | 1,009 | 0 | 0 | 0 | 1,009 |
| Other investments | 0 | 0 | 0 | 0 | 1,553 | 433 | 1,986 |
| Net loans | 0 | 0 | 0 | 0 | 27 | 1,285 | 1,312 |
| Premises and equipment | 0 | 0 | 0 | 0 | 327 | 0 | 327 |
| Other assets | 10,839 | 123 | 1,671 | 0 | 83 | 1,735 | 14,451 |
| of which loans held-for-sale | 10,790 | 0 | 469 | 0 | 16 | 0 | 11,275 |
| **Total assets of consolidated VIEs** | **12,473** | **225** | **2,701** | **950** | **3,084** | **3,770** | **23,203** |
| Trading liabilities | 8 | 0 | 0 | 0 | 18 | 1 | 27 |
| Short-term borrowings | 0 | 0 | 81 | 0 | 0 | 0 | 81 |
| Long-term debt | 12,428 | 0 | 2,128 | 125 | 136 | 9 | 14,826 |
| Other liabilities | 51 | 3 | 3 | 1 | 135 | 643 | 836 |
| **Total liabilities of consolidated VIEs** | **12,487** | **3** | **2,212** | **126** | **289** | **653** | **15,770** |

### Non-consolidated VIEs

The non-consolidated VIEs tables provide the carrying amounts and classification of the assets and liabilities of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 34 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2015 for further information on non-consolidated VIEs.

### Non-consolidated VIEs

| | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|
| end of | CDO/ CLO | Securi-tizations | Funds | Loans | Other | **Total** |
| **1Q16 (CHF million)** | | | | | | |
| Trading assets | 203 | 5,197 | 905 | 404 | 39 | 6,748 |
| Net loans | 34 | 1,256 | 2,463 | 5,401 | 916 | 10,070 |
| Other assets | 3 | 7 | 9 | 4 | 259 | 282 |
| **Total variable interest assets** | **240** | **6,460** | **3,377** | **5,809** | **1,214** | **17,100** |
| **Maximum exposure to loss** | **240** | **11,845** | **3,377** | **11,521** | **2,767** | **29,750** |
| **Non-consolidated VIE assets** | **5,364** | **91,732** | **60,577** | **30,878** | **26,717** | **215,268** |
| **4Q15 (CHF million)** | | | | | | |
| Trading assets | 90 | 6,021 | 871 | 425 | 8 | 7,415 |
| Net loans | 36 | 1,508 | 2,734 | 5,053 | 1,723 | 11,054 |
| Other assets | 0 | 11 | 13 | 0 | 161 | 185 |
| **Total variable interest assets** | **126** | **7,540** | **3,618** | **5,478** | **1,892** | **18,654** |
| **Maximum exposure to loss** | **126** | **12,986** | **3,618** | **11,866** | **2,570** | **31,166** |
| **Non-consolidated VIE assets** | **6,590** | **113,530** | **54,112** | **41,824** | **36,865** | **252,921** |

## 29 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:

- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes);
- Fair value option; and
- Disclosures about fair value of financial instruments not carried at fair value.

### CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's concentrations of credit risk.

### FAIR VALUE MEASUREMENT

A significant portion of the Group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on fair value measurement of financial instruments and the definition of the levels of the fair value hierarchy.

## Assets and liabilities measured at fair value on a recurring basis

| end of 1Q16 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Assets measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 0 | 193 | 0 | – | – | 193 |
| Interest-bearing deposits with banks | 0 | 2 | 0 | – | – | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 92,635 | 153 | – | – | 92,788 |
| Debt | 797 | 698 | 17 | – | – | 1,512 |
| of which corporates | 0 | 436 | 17 | – | – | 453 |
| Equity | 24,193 | 55 | 0 | – | – | 24,248 |
| Securities received as collateral | 24,990 | 753 | 17 | – | – | 25,760 |
| Debt | 27,132 | 41,306 | 4,426 | – | – | 72,864 |
| of which foreign governments | 26,898 | 4,321 | 270 | – | – | 31,489 |
| of which corporates | 33 | 13,433 | 2,067 | – | – | 15,533 |
| of which RMBS | 0 | 19,963 | 483 | – | – | 20,446 |
| of which CMBS | 0 | 2,825 | 145 | – | – | 2,970 |
| of which CDO | 0 | 766 | 1,461 | – | – | 2,227 |
| Equity | 67,700 | 3,710 | 795 | – | 1,558 | 73,763 |
| Derivatives | 3,947 | 297,732 | 4,659 | (276,546) | – | 29,792 |
| of which interest rate products | 1,768 | 201,304 | 883 | – | – | – |
| of which foreign exchange products | 287 | 59,260 | 289 | – | – | – |
| of which equity/index-related products | 1,890 | 21,385 | 1,250 | – | – | – |
| of which credit derivatives | 0 | 14,363 | 1,013 | – | – | – |
| Other | 2,448 | 4,165 | 4,518 | – | – | 11,131 |
| Trading assets | 101,227 | 346,913 | 14,398 | (276,546) | 1,558 | 187,550 |
| Debt | 1,532 | 1,353 | 171 | – | – | 3,056 |
| of which foreign governments | 1,335 | 93 | 0 | – | – | 1,428 |
| of which corporates | 0 | 285 | 0 | – | – | 285 |
| of which RMBS | 0 | 868 | 171 | – | – | 1,039 |
| of which CMBS | 0 | 28 | 0 | – | – | 28 |
| Equity | 2 | 85 | 0 | – | – | 87 |
| Investment securities | 1,534 | 1,438 | 171 | – | – | 3,143 |
| Private equity | 0 | 0 | 7 | – | 617 | 624 |
| of which equity funds | 0 | 0 | 0 | – | 231 | 231 |
| Hedge funds | 0 | 0 | 0 | – | 271 | 271 |
| of which debt funds | 0 | 0 | 0 | – | 248 | 248 |
| Other equity investments | 0 | 13 | 362 | – | 717 | 1,092 |
| of which private | 0 | 11 | 361 | – | 717 | 1,089 |
| Life finance instruments | 0 | 3 | 1,656 | – | – | 1,659 |
| Other investments | 0 | 16 | 2,025 | – | 1,605 | 3,646 |
| Loans | 0 | 12,747 | 8,774 | – | – | 21,521 |
| of which commercial and industrial loans | 0 | 6,368 | 5,627 | – | – | 11,995 |
| of which financial institutions | 0 | 4,273 | 1,497 | – | – | 5,770 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 106 | – | – | 106 |
| Other assets | 485 | 11,050 | 3,067 | (1,294) | – | 13,308 |
| of which loans held-for-sale | 0 | 6,142 | 2,763 | – | – | 8,905 |
| **Total assets at fair value** | **128,236** | **465,747** | **28,711** | **(277,840)** | **3,163** | **348,017** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | (1) | (110) | – | (143) | (254) |
| Less assets consolidated under ASU 2009-17 [3] | (11) | (1,921) | (377) | – | – | (2,309) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **128,225** | **463,825** | **28,224** | **(277,840)** | **3,020** | **345,454** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

[3] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 1Q16 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Liabilities measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | | |
| Due to banks | 0 | 499 | 0 | – | – | 499 |
| Customer deposits | 0 | 3,249 | 280 | – | – | 3,529 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 25,421 | 0 | – | – | 25,421 |
| Debt | 797 | 698 | 17 | – | – | 1,512 |
| of which corporates | 0 | 436 | 17 | – | – | 453 |
| Equity | 24,193 | 55 | 0 | – | – | 24,248 |
| Obligation to return securities received as collateral | 24,990 | 753 | 17 | – | – | 25,760 |
| Debt | 5,081 | 4,653 | 18 | – | – | 9,752 |
| of which foreign governments | 5,006 | 453 | 0 | – | – | 5,459 |
| of which corporates | 40 | 3,910 | 18 | – | – | 3,968 |
| Equity | 19,007 | 159 | 33 | – | 8 | 19,207 |
| Derivatives | 4,200 | 301,521 | 3,911 | (285,009) | – | 24,623 |
| of which interest rate products | 1,763 | 193,565 | 653 | – | – | – |
| of which foreign exchange products | 218 | 68,005 | 405 | – | – | – |
| of which equity/index-related products | 2,215 | 24,538 | 1,214 | – | – | – |
| of which credit derivatives | 0 | 14,031 | 1,094 | – | – | – |
| Trading liabilities | 28,288 | 306,333 | 3,962 | (285,009) | 8 | 53,582 |
| Short-term borrowings | 0 | 3,100 | 85 | – | – | 3,185 |
| Long-term debt | 0 | 57,493 | 11,611 | – | – | 69,104 |
| of which treasury debt over two years | 0 | 3,705 | 0 | – | – | 3,705 |
| of which structured notes over one year and up to two years | 0 | 6,091 | 651 | – | – | 6,742 |
| of which structured notes over two years | 0 | 37,883 | 10,286 | – | – | 48,169 |
| of which other debt instruments over two years | 0 | 2,381 | 644 | – | – | 3,025 |
| of which other subordinated bonds | 0 | 4,869 | 0 | – | – | 4,869 |
| of which non-recourse liabilities | 0 | 2,117 | 30 | – | – | 2,147 |
| Other liabilities | 0 | 9,649 | 2,240 | (1,022) | – | 10,867 |
| of which failed sales | 0 | 559 | 470 | – | – | 1,029 |
| **Total liabilities at fair value** | **53,278** | **406,497** | **18,195** | **(286,031)** | **8** | **191,947** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q15 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Assets measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 0 | 89 | 0 | – | – | 89 |
| Interest-bearing deposits with banks | 0 | 2 | 0 | – | – | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 83,407 | 158 | – | – | 83,565 |
| Debt | 811 | 493 | 0 | – | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | – | 261 |
| Equity | 27,141 | 66 | 0 | – | – | 27,207 |
| Securities received as collateral | 27,952 | 559 | 0 | – | – | 28,511 |
| Debt | 27,932 | 48,047 | 4,563 | – | – | 80,542 |
| of which foreign governments | 27,710 | 3,737 | 285 | – | – | 31,732 |
| of which corporates | 13 | 15,762 | 1,745 | – | – | 17,520 |
| of which RMBS | 0 | 22,302 | 814 | – | – | 23,116 |
| of which CMBS | 0 | 3,924 | 215 | – | – | 4,139 |
| of which CDO | 0 | 2,317 | 1,298 | – | – | 3,615 |
| Equity | 64,210 | 4,195 | 871 | – | 1,685 | 70,961 |
| Derivatives | 2,625 | 265,014 | 4,831 | (244,105) | – | 28,365 |
| of which interest rate products | 657 | 167,173 | 791 | – | – | – |
| of which foreign exchange products | 104 | 59,740 | 383 | – | – | – |
| of which equity/index-related products | 1,857 | 19,803 | 936 | – | – | – |
| of which credit derivatives | 0 | 16,267 | 1,568 | – | – | – |
| Other | 2,034 | 4,569 | 4,266 | – | – | 10,869 |
| Trading assets | 96,801 | 321,825 | 14,531 | (244,105) | 1,685 | 190,737 |
| Debt | 1,538 | 1,318 | 148 | – | – | 3,004 |
| of which foreign governments | 1,322 | 94 | 0 | – | – | 1,416 |
| of which corporates | 0 | 285 | 0 | – | – | 285 |
| of which RMBS | 0 | 602 | 148 | – | – | 750 |
| of which CMBS | 0 | 259 | 0 | – | – | 259 |
| Equity | 2 | 84 | 0 | – | – | 86 |
| Investment securities | 1,540 | 1,402 | 148 | – | – | 3,090 |
| Private equity | 0 | 0 | 0 | – | 1,042 | 1,042 |
| of which equity funds | 0 | 0 | 0 | – | 437 | 437 |
| Hedge funds | 0 | 0 | 0 | – | 295 | 295 |
| of which debt funds | 0 | 0 | 0 | – | 260 | 260 |
| Other equity investments | 0 | 23 | 366 | – | 840 | 1,229 |
| of which private | 0 | 14 | 365 | – | 840 | 1,219 |
| Life finance instruments | 0 | 2 | 1,669 | – | – | 1,671 |
| Other investments | 0 | 25 | 2,035 | – | 2,177 | 4,237 |
| Loans | 0 | 11,870 | 8,950 | – | – | 20,820 |
| of which commercial and industrial loans | 0 | 5,811 | 5,735 | – | – | 11,546 |
| of which financial institutions | 0 | 4,102 | 1,729 | – | – | 5,831 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 112 | – | – | 112 |
| Other assets | 687 | 19,002 | 7,087 | (1,149) | – | 25,627 |
| of which loans held-for-sale | 0 | 14,378 | 6,768 | – | – | 21,146 |
| **Total assets at fair value** | **126,980** | **438,181** | **33,021** | **(245,254)** | **3,862** | **356,790** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | (9) | (119) | – | (473) | (601) |
| Less assets consolidated under ASU 2009-17 [3] | 0 | (9,212) | (3,558) | – | – | (12,770) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **126,980** | **428,960** | **29,344** | **(245,254)** | **3,389** | **343,419** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

[3] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q15 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Liabilities measured at net asset value per share [2] | Total |
|---|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | | |
| Due to banks | 0 | 482 | 0 | – | – | 482 |
| Customer deposits | 0 | 3,409 | 254 | – | – | 3,663 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 32,398 | 0 | – | – | 32,398 |
| Debt | 811 | 493 | 0 | – | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | – | 261 |
| Equity | 27,141 | 66 | 0 | – | – | 27,207 |
| Obligation to return securities received as collateral | 27,952 | 559 | 0 | – | – | 28,511 |
| Debt | 4,100 | 4,289 | 16 | – | – | 8,405 |
| of which foreign governments | 4,050 | 491 | 0 | – | – | 4,541 |
| of which corporates | 30 | 3,597 | 16 | – | – | 3,643 |
| Equity | 16,875 | 154 | 45 | – | 6 | 17,080 |
| Derivatives | 3,062 | 269,788 | 4,554 | (253,918) | – | 23,486 |
| of which interest rate products | 671 | 160,181 | 578 | – | – | – |
| of which foreign exchange products | 82 | 70,381 | 329 | – | – | – |
| of which equity/index-related products | 2,299 | 22,015 | 1,347 | – | – | – |
| of which credit derivatives | 0 | 15,522 | 1,757 | – | – | – |
| Trading liabilities | 24,037 | 274,231 | 4,615 | (253,918) | 6 | 48,971 |
| Short-term borrowings | 0 | 3,040 | 72 | – | – | 3,112 |
| Long-term debt | 0 | 66,808 | 14,123 | – | – | 80,931 |
| of which treasury debt over two years | 0 | 4,590 | 0 | – | – | 4,590 |
| of which structured notes over one year and up to two years | 0 | 6,396 | 364 | – | – | 6,760 |
| of which structured notes over two years | 0 | 38,066 | 9,924 | – | – | 47,990 |
| of which other debt instruments over two years | 0 | 1,435 | 638 | – | – | 2,073 |
| of which other subordinated bonds | 0 | 5,476 | 0 | – | – | 5,476 |
| of which non-recourse liabilities | 0 | 10,642 | 3,197 | – | – | 13,839 |
| Other liabilities | 0 | 10,224 | 2,491 | (961) | – | 11,754 |
| of which failed sales | 0 | 530 | 454 | – | – | 984 |
| **Total liabilities at fair value** | **51,989** | **391,151** | **21,555** | **(254,879)** | **6** | **209,822** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

### Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 1Q16, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers from trading assets were primarily in equity as prices became observable. The transfers from trading liabilities were primarily in exchange traded derivatives as prices became observable.

In 1Q16, transfers out of level 1 to level 2 were primarily from trading assets. The transfers were primarily in equity for which suitable closing prices were unobtainable as of the end of 1Q16.

### Transfers between level 1 and level 2

| in | 1Q16 | | 1Q15 | |
|---|---|---|---|---|
| | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 0 | 11 | 39 | 45 |
| Equity | 210 | 248 | 187 | 101 |
| Derivatives | 92 | 0 | 331 | 1 |
| **Trading assets** | **302** | **259** | **557** | **147** |
| **Liabilities (CHF million)** | | | | |
| Debt | 0 | 3 | 84 | 6 |
| Equity | 7 | 24 | 17 | 54 |
| Derivatives | 166 | 3 | 62 | 9 |
| **Trading liabilities** | **173** | **30** | **163** | **69** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 1Q16 | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | 0 | 0 | 0 | 0 | 0 |
| Securities received as collateral | 0 | 0 | 0 | 18 | 0 | 0 |
| Debt | 4,563 | 405 | (353) | 1,609 | (1,685) | 0 |
| of which corporates | 1,745 | 255 | (56) | 918 | (789) | 0 |
| of which RMBS | 814 | 88 | (239) | 266 | (377) | 0 |
| of which CMBS | 215 | 9 | (5) | 36 | (100) | 0 |
| of which CDO | 1,298 | 47 | (8) | 388 | (208) | 0 |
| Equity | 871 | 60 | (41) | 108 | (210) | 0 |
| Derivatives | 4,831 | 289 | (242) | 0 | 0 | 575 |
| of which interest rate products | 791 | 2 | (30) | 0 | 0 | 40 |
| of which equity/index-related products | 936 | 237 | (70) | 0 | 0 | 192 |
| of which credit derivatives | 1,568 | 51 | (132) | 0 | 0 | 242 |
| Other | 4,266 | 319 | (284) | 786 | (441) | 0 |
| Trading assets | 14,531 | 1,073 | (920) | 2,503 | (2,336) | 575 |
| Investment securities | 148 | 0 | (15) | 74 | (7) | 0 |
| Equity | 366 | 7 | (1) | 10 | (5) | 0 |
| Life finance instruments | 1,669 | 0 | 0 | 49 | (94) | 0 |
| Other investments | 2,035 | 7 | (1) | 59 | (99) | 0 |
| Loans | 8,950 | 207 | (189) | 23 | (81) | 631 |
| of which commercial and industrial loans | 5,735 | 144 | (109) | 0 | (58) | 357 |
| of which financial institutions | 1,729 | 63 | (81) | 0 | 0 | 25 |
| Other intangible assets (mortgage servicing rights) | 112 | 0 | 0 | 0 | 0 | 0 |
| Other assets | 7,087 | 103 | (733) | 460 | (3,930) | 396 |
| of which loans held-for-sale [2] | 6,768 | 97 | (733) | 437 | (3,918) | 396 |
| **Total assets at fair value** | **33,021** | **1,390** | **(1,858)** | **3,137** | **(6,453)** | **1,602** |
| **Liabilities (CHF million)** | | | | | | |
| Customer deposits | 254 | 0 | 0 | 0 | 0 | 18 |
| Obligation to return securities received as collateral | 0 | 0 | 0 | 18 | 0 | 0 |
| Trading liabilities | 4,615 | 140 | (288) | 10 | (10) | 300 |
| of which interest rate derivatives | 578 | 3 | (21) | 0 | 0 | 81 |
| of which foreign exchange derivatives | 329 | 0 | (1) | 0 | 0 | 5 |
| of which equity/index-related derivatives | 1,347 | 82 | (142) | 0 | 0 | 71 |
| of which credit derivatives | 1,757 | 53 | (119) | 0 | 0 | 78 |
| Short-term borrowings | 72 | 10 | 0 | 0 | 0 | 47 |
| Long-term debt | 14,123 | 956 | (430) | 0 | 0 | 804 |
| of which structured notes over two years | 9,924 | 659 | (425) | 0 | 0 | 729 |
| of which non-recourse liabilities | 3,197 | 0 | 0 | 0 | 0 | 19 |
| Other liabilities | 2,491 | 99 | (45) | 11 | (26) | 1 |
| of which failed sales | 454 | 26 | (14) | 8 | (3) | 0 |
| **Total liabilities at fair value** | **21,555** | **1,205** | **(763)** | **39** | **(36)** | **1,170** |
| **Net assets/(liabilities) at fair value** | **11,466** | **185** | **(1,095)** | **3,098** | **(6,417)** | **432** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

[2] Includes unrealized losses recorded in trading revenues of CHF (64) million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| | | Trading revenues | | Other revenues | | Accumulated other comprehensive income | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5) | 153 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1) | 17 |
| | 0 | (5) | 15 | 0 | (1) | 0 | 0 | (122) | 4,426 |
| | 0 | (2) | 59 | 0 | 0 | 0 | 0 | (63) | 2,067 |
| | 0 | (6) | (43) | 0 | 0 | 0 | 0 | (20) | 483 |
| | 0 | 0 | (6) | 0 | 0 | 0 | 0 | (4) | 145 |
| | 0 | 0 | (7) | 0 | (1) | 0 | 0 | (48) | 1,461 |
| | 0 | (20) | 52 | 0 | 0 | 0 | 0 | (25) | 795 |
| | (1,135) | 47 | 417 | 0 | 0 | 0 | 0 | (123) | 4,659 |
| | (27) | 12 | 121 | 0 | 0 | 0 | 0 | (26) | 883 |
| | (182) | 7 | 150 | 0 | 0 | 0 | 0 | (20) | 1,250 |
| | (764) | 29 | 54 | 0 | 0 | 0 | 0 | (35) | 1,013 |
| | (97) | (11) | 128 | 0 | 0 | 0 | 0 | (148) | 4,518 |
| | (1,232) | 11 | 612 | 0 | (1) | 0 | 0 | (418) | 14,398 |
| | (77) | (6) | 60 | 0 | 0 | 0 | 0 | (6) | 171 |
| | 0 | 0 | (3) | 0 | (4) | 0 | 0 | (1) | 369 |
| | 0 | 0 | 87 | 0 | 0 | 0 | 0 | (55) | 1,656 |
| | 0 | 0 | 84 | 0 | (4) | 0 | 0 | (56) | 2,025 |
| | (518) | 0 | (7) | 0 | 0 | 0 | 0 | (242) | 8,774 |
| | (351) | 0 | 45 | 0 | 0 | 0 | 0 | (136) | 5,627 |
| | (135) | 0 | (57) | 0 | 0 | 0 | 0 | (47) | 1,497 |
| | 0 | 0 | 0 | 0 | (2) | 0 | 0 | (4) | 106 |
| | (138) | (94) | (46) | 0 | (1) | 0 | 0 | (37) | 3,067 |
| | (138) | (94) | (21) | 0 | (1) | 0 | 0 | (30) | 2,763 |
| | **(1,965)** | **(89)** | **703** | **0** | **(8)** | **0** | **0** | **(769)** | **28,711** |
| | 0 | 0 | 10 | 0 | 0 | 0 | 0 | (2) | 280 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1) | 17 |
| | (1,141) | 59 | 400 | 0 | (5) | 0 | 0 | (118) | 3,962 |
| | (36) | 13 | 56 | 0 | 0 | 0 | 0 | (21) | 653 |
| | (12) | 1 | 95 | 0 | 0 | 0 | 0 | (12) | 405 |
| | (109) | 28 | (32) | 0 | 0 | 0 | 0 | (31) | 1,214 |
| | (907) | 17 | 251 | 0 | 0 | 0 | 0 | (36) | 1,094 |
| | (39) | 0 | (2) | 0 | 0 | 0 | 0 | (3) | 85 |
| | (3,562) | 11 | 257 | 0 | 1 | 0 | (172) | (377) | 11,611 |
| | (226) | 11 | 146 | 0 | 0 | 0 | (172) | (360) | 10,286 |
| | (3,227) | 0 | 26 | 0 | 0 | 0 | 0 | 15 | 30 |
| | (45) | (35) | (28) | (1) | (117) | 0 | 0 | (65) | 2,240 |
| | 0 | 0 | 16 | 0 | 0 | 0 | 0 | (17) | 470 |
| | **(4,787)** | **35** | **637** | **(1)** | **(121)** | **0** | **(172)** | **(566)** | **18,195** |
| | **2,822** | **(124)** | **66** | **1** | **113** | **0** | **172** | **(203)** | **10,516** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 1Q15 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 77 | 0 | 0 | 0 |
| Debt | 4,461 | 154 | (396) | 668 |
| of which corporates | 1,430 | 19 | (55) | 127 |
| of which RMBS | 612 | 114 | (128) | 319 |
| of which CMBS | 257 | 15 | (41) | 133 |
| of which CDO | 1,421 | 6 | (130) | 75 |
| Equity | 896 | 51 | (84) | 109 |
| Derivatives | 6,823 | 889 | (432) | 0 |
| of which interest rate products | 1,803 | 16 | (172) | 0 |
| of which equity/index-related products | 1,063 | 247 | (37) | 0 |
| of which credit derivatives | 2,569 | 620 | (223) | 0 |
| Other | 4,323 | 294 | (342) | 1,783 |
| Trading assets | 16,503 | 1,388 | (1,254) | 2,560 |
| Investment securities | 3 | 0 | (64) | 163 |
| Equity | 549 | 0 | 0 | 8 |
| Life finance instruments | 1,834 | 0 | 0 | 50 |
| Other investments | 2,383 | 0 | 0 | 58 |
| Loans | 9,353 | 274 | (643) | 297 |
| of which commercial and industrial loans | 5,853 | 177 | (160) | 0 |
| of which financial institutions | 1,494 | 65 | (1) | 0 |
| Other intangible assets (mortgage servicing rights) | 70 | 0 | 0 | 0 |
| Other assets | 7,468 | 938 | (1,377) | 1,514 |
| of which loans held-for-sale | 6,851 | 936 | (1,331) | 1,496 |
| **Total assets at fair value** | **35,857** | **2,600** | **(3,338)** | **4,592** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 100 | 0 | (20) | 0 |
| Trading liabilities | 6,417 | 772 | (804) | 9 |
| of which interest rate derivatives | 1,202 | 29 | (169) | 0 |
| of which foreign exchange derivatives | 560 | 3 | 0 | 0 |
| of which equity/index-related derivatives | 1,466 | 8 | (395) | 0 |
| of which credit derivatives | 2,760 | 727 | (238) | 0 |
| Short-term borrowings | 95 | 23 | (9) | 0 |
| Long-term debt | 14,608 | 633 | (508) | 0 |
| of which structured notes over two years | 10,267 | 28 | (400) | 0 |
| of which non-recourse liabilities | 2,952 | 597 | (36) | 0 |
| Other liabilities | 3,363 | 17 | (1,140) | 72 |
| of which failed sales | 616 | 4 | (2) | 66 |
| **Total liabilities at fair value** | **24,583** | **1,445** | **(2,481)** | **81** |
| **Net assets/(liabilities) at fair value** | **11,274** | **1,155** | **(857)** | **4,511** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| 0 | 12 | 0 | 0 | 0 | 0 | 0 | (2) | 87 |
| (773) | 0 | 0 | (6) | 47 | 0 | 0 | (184) | 3,971 |
| (265) | 0 | 0 | (5) | 72 | 0 | 0 | (86) | 1,237 |
| (231) | 0 | 0 | (1) | 21 | 0 | 0 | (8) | 698 |
| (28) | 0 | 0 | 2 | (26) | 0 | 0 | (3) | 309 |
| (128) | 0 | 0 | (1) | 5 | 0 | 0 | (30) | 1,218 |
| (97) | 0 | 0 | (8) | 26 | 0 | 0 | (17) | 876 |
| 0 | 542 | (1,946) | (14) | 132 | 0 | 1 | (172) | 5,823 |
| 0 | 229 | (120) | (14) | (341) | 0 | 0 | (40) | 1,361 |
| 0 | 113 | (176) | 3 | 84 | 0 | 1 | (21) | 1,277 |
| 0 | 95 | (1,392) | (2) | 88 | 0 | 0 | (71) | 1,684 |
| (1,395) | 0 | (66) | 1 | 113 | 0 | 0 | (71) | 4,640 |
| (2,265) | 542 | (2,012) | (27) | 318 | 0 | 1 | (444) | 15,310 |
| 0 | 0 | (4) | 7 | 3 | 0 | 0 | 4 | 112 |
| (18) | 0 | 0 | 0 | (18) | 0 | (18) | (27) | 476 |
| (74) | 0 | 0 | 0 | 46 | 0 | 0 | (34) | 1,822 |
| (92) | 0 | 0 | 0 | 28 | 0 | (18) | (61) | 2,298 |
| (527) | 425 | (411) | 0 | (44) | 0 | (5) | (210) | 8,509 |
| (365) | 377 | (263) | 0 | 3 | 0 | (5) | (150) | 5,467 |
| (21) | 48 | (56) | 0 | (44) | 0 | (1) | (27) | 1,457 |
| 0 | 0 | 0 | 0 | (2) | 0 | 0 | (1) | 67 |
| (1,252) | 325 | (565) | 0 | 20 | 0 | 0 | (253) | 6,818 |
| (1,217) | 325 | (565) | 2 | 32 | 0 | 0 | (240) | 6,289 |
| **(4,136)** | **1,304** | **(2,992)** | **(20)** | **323** | **0** | **(22)** | **(967)** | **33,201** |
| 0 | 0 | 0 | 0 | 2 | 0 | 0 | (7) | 75 |
| (2) | 266 | (1,655) | 20 | 209 | 0 | 0 | (147) | 5,085 |
| 0 | 53 | (82) | (12) | (14) | 0 | 0 | (25) | 982 |
| 0 | 1 | (28) | 0 | (127) | 0 | 0 | (12) | 397 |
| 0 | 56 | (135) | 27 | 225 | 0 | 0 | (28) | 1,224 |
| 0 | 90 | (1,358) | 5 | 134 | 0 | 0 | (73) | 2,047 |
| 0 | 57 | (21) | 0 | (5) | 0 | 0 | (2) | 138 |
| 0 | 2,722 | (1,637) | 2 | (141) | 0 | 0 | (267) | 15,412 |
| 0 | 1,911 | (1,156) | 4 | (95) | 0 | 0 | (190) | 10,369 |
| 0 | 261 | (188) | (1) | (69) | 0 | 0 | (55) | 3,461 |
| (49) | 0 | (157) | (8) | 57 | 7 | 134 | (86) | 2,210 |
| (36) | 0 | 0 | 0 | 29 | 0 | 0 | (9) | 668 |
| **(51)** | **3,045** | **(3,470)** | **14** | **122** | **7** | **134** | **(509)** | **22,920** |
| **(4,085)** | **(1,741)** | **478** | **(34)** | **201** | **(7)** | **(156)** | **(458)** | **10,281** |

**Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)**

| in | 1Q16 | | | 1Q15 | | |
|---|---|---|---|---|---|---|
| | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | (58) | 114 | **56** [1] | 167 | (163) | **4** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | 95 | (8) | **87** | (388) | (43) | **(431)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

### Transfers in and out of level 3

Transfers into level 3 assets during 1Q16 were CHF 1,390 million, primarily from trading assets and loans. The transfers were primarily in the corporate credit and emerging markets businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 1Q16 were CHF 1,858 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit businesses and the Strategic Resolution Unit due to increased availability of pricing information.

### Qualitative disclosures of valuation techniques

#### Overview

The Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Group's financial instruments.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's valuation control framework.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the tables "Quantitative information about level 3 assets at fair value" and "Quantitative information about level 3 liabilities at fair value".

#### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

#### Debt securities

##### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorized as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected

by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price and correlation. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

#### CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate and discount rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity, discount rate and credit spread. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

### Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include market comparable price, earnings before interest, taxes, depreciation and amortization (EBITDA) multiple and volatility.

### Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

The valuation of derivatives includes an adjustment for the cost of funding uncollateralized OTC derivatives.

#### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility skew, prepayment rate, credit spread, basis spread and gap risk.

#### Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques.

Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

Equity and index-related derivatives

Equity derivatives include a variety of products ranging from vanilla options and swaps to exotic structures with bespoke payoff profiles. The main inputs in the valuation of equity derivatives may include volatility, EBITDA multiple, buyback probability, gap risk and correlation.

Generally, the interrelationship between the volatility and correlation is positively correlated.

Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation and funding spread. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

**Other trading assets**

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of market implied life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual-specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

**Other investments**

Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published NAVs as permitted by ASC Topic 820 – Fair Value Measurement. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not in line with the fund's observable market data, it is probable that the investment will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs. The investments for which the fair value is measured using the net asset value practical expedient are not categorized within the fair value hierarchy.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

Life finance instruments

Life finance instruments include Single Premium Immediate Annuities (SPIA) and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

**Loans**

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based

on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a loan pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available. The fair value of the consolidated financial assets of RMBS and CMBS securitization vehicles, which qualify as collateralized financing entities, are measured on the basis of the more observable fair value of the VIEs financial liabilities.

Accrual based loans in the Group's private, corporate and institutional banking businesses, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

### Deposits

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

### Short-term borrowings and long-term debt

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buy-back probability, gap risk, correlation, volatility, credit spread, mean reversion and price.

Generally, the interrelationships between volatility, correlation, gap risk and credit spread inputs are positively correlated.

### Other liabilities

#### Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

### Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of EBITDA multiple, market implied life expectancy (for life finance instruments), buyback probability, correlation, price, volatility, volatility skew, funding spread and recovery rate, in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of market implied life expectancy (for life settlement and premium finance instruments), capitalization rate, discount rate, prepayment rate, gap risk and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input mean reversion would increase the fair value. An increase in the significant unobservable input basis spread would decrease the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

### Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

**Quantitative information about level 3 assets at fair value**

| end of 1Q16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 153 | Discounted cash flow | Funding spread, in bp | 350 | 450 | 361 |
| Securities received as collateral | 17 | – | – | – | – | – |
| Debt | 4,426 | | | | | |
| of which corporates | 2,067 | | | | | |
| of which | 403 | Option model | Correlation, in % | (87) | 98 | 36 |
| of which | 1,395 | Market comparable | Price, in % | 0 | 146 | 84 |
| of which RMBS | 483 | Discounted cash flow | Discount rate, in % | 1 | 40 | 7 |
| | | | Prepayment rate, in % | 0 | 33 | 9 |
| | | | Default rate, in % | 0 | 13 | 3 |
| | | | Loss severity, in % | 0 | 100 | 54 |
| of which CMBS | 145 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 1 | 22 | 8 |
| | | | Prepayment rate, in % | 0 | 16 | 4 |
| | | | Default rate, in % | 0 | 32 | 1 |
| | | | Loss severity, in % | 0 | 75 | 5 |
| of which CDO | 1,461 | | | | | |
| of which | 280 | Discounted cash flow | Discount rate, in % | 2 | 32 | 16 |
| | | | Prepayment rate, in % | 0 | 20 | 16 |
| | | | Credit spread, in bp | 154 | 307 | 205 |
| | | | Default rate, in % | 0 | 25 | 5 |
| | | | Loss severity, in % | 0 | 100 | 43 |
| of which | 788 | Market comparable | Price, in % | 206 | 206 | 206 |
| Equity | 795 | | | | | |
| of which | 154 | Option model | Volatility, in % | 51 | 53 | 51 |
| of which | 443 | Market comparable | EBITDA multiple | 3 | 11 | 8 |
| | | | Price, in % | 0 | 165 | 22 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 1Q16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 4,659 | | | | | |
| of which interest rate products | 883 | Option model | Correlation, in % | 16 | 100 | 60 |
| | | | Prepayment rate, in % | 1 | 36 | 15 |
| | | | Volatility skew, in % | (7) | 0 | (2) |
| | | | Credit spread, in bp | 130 | 2,335 | 160 |
| of which equity/index-related products | 1,250 | | | | | |
| of which | 801 | Option model | Correlation, in % | (87) | 98 | 13 |
| | | | Volatility, in % | 0 | 200 | 26 |
| | | | Buyback probability, in % [2] | 50 | 100 | 63 |
| | | | Gap risk, in % [3] | 0 | 4 | 1 |
| of which | 77 | Market comparable | EBITDA multiple | 4 | 10 | 7 |
| of which credit derivatives | 1,013 | Discounted cash flow | Credit spread, in bp | 2 | 3,142 | 668 |
| | | | Recovery rate, in % | 0 | 71 | 23 |
| | | | Discount rate, in % | 1 | 54 | 19 |
| | | | Default rate, in % | 1 | 35 | 6 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 43 | 97 | 97 |
| | | | Prepayment rate, in % | 0 | 13 | 5 |
| | | | Funding spread, in bp | 52 | 68 | 66 |
| Other | 4,518 | | | | | |
| of which | 3,564 | Market comparable | Price, in % | 0 | 105 | 47 |
| of which | 902 | Discounted cash flow | Market implied life expectancy, in years | 3 | 17 | 9 |
| Trading assets | 14,398 | | | | | |
| Investment securities | 171 | – | – | – | – | – |
| Private equity | 7 | – | – | – | – | – |
| Other equity investments | 362 | – | – | – | – | – |
| Life finance instruments | 1,656 | Discounted cash flow | Market implied life expectancy, in years | 2 | 20 | 7 |
| Other investments | 2,025 | | | | | |
| Loans | 8,774 | | | | | |
| of which commercial and industrial loans | 5,627 | | | | | |
| of which | 3,730 | Discounted cash flow | Credit spread, in bp | 69 | 2,528 | 413 |
| of which | 1,160 | Market comparable | Price, in % | 0 | 117 | 67 |
| of which financial institutions | 1,497 | | | | | |
| of which | 1,418 | Discounted cash flow | Credit spread, in bp | 80 | 849 | 369 |
| of which | 55 | Market comparable | Price, in % | 0 | 100 | 97 |
| Other intangible assets (mortgage servicing rights) | 106 | – | – | – | – | – |
| Other assets | 3,067 | | | | | |
| of which loans held-for-sale | 2,763 | | | | | |
| of which | 294 | Vendor price | Price, in % | 25 | 100 | 96 |
| of which | 862 | Discounted cash flow | Credit spread, in bp | 117 | 1,603 | 591 |
| | | | Recovery rate, in % | 0 | 1 | 1 |
| of which | 1,596 | Market comparable | Price, in % | 0 | 104 | 72 |
| **Total level 3 assets at fair value** | **28,711** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

[2] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.

[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | Discounted cash flow | Funding spread, in bp | 350 | 475 | 361 |
| Debt | 4,563 | | | | | |
| of which corporates | 1,745 | | | | | |
| of which | 240 | Option model | Correlation, in % | (87) | 99 | 17 |
| of which | 836 | Market comparable | Price, in % | 0 | 128 | 29 |
| of which | 285 | Discounted cash flow | Credit spread, in bp | 134 | 1,408 | 493 |
| of which RMBS | 814 | Discounted cash flow | Discount rate, in % | 1 | 36 | 8 |
| | | | Prepayment rate, in % | 0 | 27 | 9 |
| | | | Default rate, in % | 0 | 20 | 3 |
| | | | Loss severity, in % | 0 | 100 | 50 |
| of which CMBS | 215 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 0 | 23 | 8 |
| | | | Prepayment rate, in % | 0 | 16 | 3 |
| | | | Default rate, in % | 0 | 32 | 1 |
| | | | Loss severity, in % | 0 | 75 | 4 |
| of which CDO | 1,298 | | | | | |
| of which | 66 | Vendor price | Price, in % | 0 | 100 | 96 |
| of which | 329 | Discounted cash flow | Discount rate, in % | 1 | 25 | 11 |
| | | | Prepayment rate, in % | 0 | 20 | 14 |
| | | | Credit spread, in bp | 293 | 336 | 309 |
| | | | Default rate, in % | 0 | 10 | 2 |
| | | | Loss severity, in % | 0 | 100 | 46 |
| of which | 807 | Market comparable | Price, in % | 214 | 214 | 214 |
| Equity | 871 | | | | | |
| of which | 342 | Option model | Volatility, in % | 2 | 253 | 29 |
| of which | 471 | Market comparable | EBITDA multiple | 3 | 12 | 8 |
| | | | Price, in % | 0 | 202 | 96 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 4,831 | | | | | |
| of which interest rate products | 791 | Option model | Correlation, in % | 17 | 100 | 63 |
| | | | Prepayment rate, in % | 1 | 36 | 16 |
| | | | Volatility skew, in % | (8) | 0 | (2) |
| | | | Mean reversion, in % [2] | 5 | 10 | 10 |
| | | | Credit spread, in bp | 130 | 1,687 | 330 |
| of which equity/index-related products | 936 | | | | | |
| | 778 | Option model | Correlation, in % | (87) | 99 | 23 |
| | | | Volatility, in % | 0 | 253 | 26 |
| | 109 | Market comparable | EBITDA multiple | 4 | 10 | 7 |
| | | | Price, in % | 97 | 97 | 97 |
| of which credit derivatives | 1,568 | Discounted cash flow | Credit spread, in bp | 1 | 2,349 | 331 |
| | | | Recovery rate, in % | 0 | 60 | 23 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 35 | 6 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 43 | 97 | 85 |
| | | | Prepayment rate, in % | 0 | 12 | 4 |
| | | | Funding spread, in bp | 61 | 68 | 67 |
| Other | 4,266 | | | | | |
| of which | 2,859 | Market comparable | Price, in % | 0 | 106 | 45 |
| of which | 865 | Discounted cash flow | Market implied life expectancy, in years | 3 | 18 | 8 |
| Trading assets | 14,531 | | | | | |
| Investment securities | 148 | – | – | – | – | – |
| Other equity investments | 366 | – | – | – | – | – |
| Life finance instruments | 1,669 | Discounted cash flow | Market implied life expectancy, in years | 2 | 20 | 8 |
| Other investments | 2,035 | | | | | |
| Loans | 8,950 | | | | | |
| of which commercial and industrial loans | 5,735 | | | | | |
| of which | 3,799 | Discounted cash flow | Credit spread, in bp | 70 | 2,528 | 474 |
| of which | 1,146 | Market comparable | Price, in % | 0 | 106 | 65 |
| of which financial institutions | 1,729 | | | | | |
| | 1,451 | Discounted cash flow | Credit spread, in bp | 84 | 826 | 359 |
| | 109 | Market comparable | Price, in % | 0 | 100 | 98 |
| Other intangible assets (mortgage servicing rights) | 112 | – | – | – | – | – |
| Other assets | 7,087 | | | | | |
| of which loans held-for-sale | 6,768 | | | | | |
| of which | 3,594 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 722 | Discounted cash flow | Credit spread, in bp | 99 | 3,220 | 515 |
| | | | Recovery rate, in % | 1 | 1 | 1 |
| of which | 2,251 | Market comparable | Price, in % | 0 | 104 | 76 |
| **Total level 3 assets at fair value** | **33,021** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value

| end of 1Q16 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 280 | – | – | – | – | – |
| Obligation to return securities received as collateral | 17 | – | – | – | – | – |
| Trading liabilities | 3,962 | | | | | |
| of which interest rate derivatives | 653 | Option model | Basis spread, in bp | (15) | 63 | 31 |
| | | | Correlation, in % | 16 | 100 | 86 |
| | | | Prepayment rate, in % | 0 | 36 | 8 |
| | | | Gap risk, in % [2] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 405 | Option model | Correlation, in % | (10) | 70 | 55 |
| | | | Prepayment rate, in % | 25 | 36 | 30 |
| of which equity/index-related derivatives | 1,214 | Option model | Correlation, in % | (87) | 98 | 16 |
| | | | Volatility, in % | 2 | 200 | 27 |
| | | | Buyback probability, in % [3] | 50 | 100 | 63 |
| of which credit derivatives | 1,094 | Discounted cash flow | Credit spread, in bp | 3 | 3,142 | 399 |
| | | | Discount rate, in % | 1 | 40 | 18 |
| | | | Default rate, in % | 1 | 33 | 5 |
| | | | Recovery rate, in % | 0 | 75 | 36 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 16 | 96 | 84 |
| | | | Funding spread, in bp | 51 | 111 | 74 |
| | | | Prepayment rate, in % | 0 | 13 | 5 |
| Short-term borrowings | 85 | – | – | – | – | – |
| Long-term debt | 11,611 | | | | | |
| of which structured notes over two years | 10,286 | | | | | |
| of which | 9,238 | Option model | Correlation, in % | (87) | 99 | 41 |
| | | | Volatility, in % | 2 | 200 | 29 |
| | | | Buyback probability, in % [3] | 50 | 100 | 63 |
| | | | Gap risk, in % [2] | 0 | 2 | 1 |
| | | | Mean reversion, in % [4] | (110) | (1) | (36) |
| of which | 621 | Discounted cash flow | Credit spread, in bp | 6 | 2,047 | 288 |
| of which non-recourse liabilities | 30 | Market comparable | Price, in % | 0 | 87 | 12 |
| Other liabilities | 2,240 | | | | | |
| of which failed sales | 470 | | | | | |
| of which | 396 | Market comparable | Price, in % | 0 | 100 | 88 |
| of which | 42 | Discounted cash flow | Credit spread, in bp | 655 | 911 | 751 |
| | | | Discount rate, in % | 7 | 32 | 17 |
| **Total level 3 liabilities at fair value** | **18,195** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[3] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[4] Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value (continued)

| end of 4Q15 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 254 | – | – | – | – | – |
| Trading liabilities | 4,615 | | | | | |
| of which interest rate derivatives | 578 | Option model | Basis spread, in bp | (7) | 53 | 25 |
| | | | Correlation, in % | 17 | 100 | 75 |
| | | | Mean reversion, in % [2] | 5 | 10 | 8 |
| | | | Prepayment rate, in % | 0 | 36 | 9 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 329 | Option model | Correlation, in % | (10) | 70 | 54 |
| | | | Prepayment rate, in % | 24 | 36 | 30 |
| of which equity/index-related derivatives | 1,347 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 26 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| of which credit derivatives | 1,757 | Discounted cash flow | Credit spread, in bp | 1 | 1,687 | 275 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 33 | 5 |
| | | | Recovery rate, in % | 8 | 60 | 27 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 17 | 95 | 80 |
| | | | Funding spread, in bp | 51 | 68 | 68 |
| | | | Prepayment rate, in % | 0 | 12 | 5 |
| Short-term borrowings | 72 | – | – | – | – | – |
| Long-term debt | 14,123 | | | | | |
| of which structured notes over two years | 9,924 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 28 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| | | | Gap risk, in % [3] | 0 | 3 | 1 |
| | | | Credit spread, in bp | 153 | 182 | 177 |
| of which non-recourse liabilities | 3,197 | | | | | |
| of which | 3,183 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 14 | Market comparable | Price, in % | 0 | 87 | 9 |
| Other liabilities | 2,491 | | | | | |
| of which failed sales | 454 | | | | | |
| of which | 379 | Market comparable | Price, in % | 0 | 106 | 90 |
| of which | 68 | Discounted cash flow | Credit spread, in bp | 571 | 1,687 | 1,425 |
| | | | Discount rate, in % | 7 | 23 | 15 |
| **Total level 3 liabilities at fair value** | **21,555** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[4] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.

### Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above results in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

#### Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest, while the higher end of the range relates to collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates, while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary from collateral pool to collateral pool, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and volatility skew

Volatility and its skew are both impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility may vary significantly between different underlying currencies and expiration dates on the options. Similarly, in the case of equity derivatives, the volatility attributed to a structure may vary depending upon the underlying reference name on the derivative.

Market implied life expectancy

Market implied life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA, and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of the insured.

Price

Bond equivalent price is a primary significant unobservable input for multiple products. Where market prices are not available for an instrument, benchmarking may be utilized to identify comparable issues (same industry and similar product mixes) while adjustments are considered for differences in deal terms and performance.

Buyback probability

Buyback probability is the probability assigned to structured notes being unwound prior to their legal maturity.

Gap risk

Gap risk is the primary significant unobservable input for fund-linked Constant Proportion Portfolio Insurance products and structures where the payoff may be sensitive to discontinuity in the hedging portfolio.

Mean reversion

Mean reversion is the primary significant unobservable input for callable constant maturity swap (CMS) spread exotics and represents the idea that prices and returns eventually move back towards the historical average.

Funding spread

Funding spread is the primary significant unobservable input for special purpose vehicle funding facilities. Synthetic funding curves which represent the assets pledged as collateral are used to value structured financing transactions. The curves provide an estimate of where secured funding can be sourced and are expressed as a basis point spread in relation to the referenced benchmark rate.

Capitalization rate

Capitalization rate is the primary significant unobservable input for CMBS loans and is used to estimate the potential return on investment. This is done by dividing the yearly income by the total value of the property.

Basis spread

Basis spread is the primary significant unobservable input for non-callable constant maturity treasury-CMS products and is used to determine interest rate risk as a result of differing lending and borrowing rates.

EBITDA multiple

EBITDA multiple is a primary significant unobservable input for some equity deals which are benchmarked using industry comparables. The EBITDA multiple may be preferred over other measures because it is normalized for differences between the accounting policies of similar companies.

**Fair value measurements of investments in certain entities that calculate NAV per share**

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which is generally up to 10 years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

**Fair value, unfunded commitments and term of redemption conditions**

| end of | 1Q16 | | | | 4Q15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 |
| Equity funds | 72 | 1,486 [1] | 1,558 | 0 | 79 | 1,606 [2] | 1,685 | 0 |
| Equity funds sold short | 0 | (8) | (8) | 0 | 0 | (6) | (6) | 0 |
| Total funds held in trading assets and liabilities | 72 | 1,478 | 1,550 | 0 | 81 | 1,600 | 1,681 | 0 |
| Debt funds | 204 | 44 | 248 | 0 | 184 | 76 | 260 | 1 |
| Equity funds | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 22 | 22 | 0 | 0 | 35 | 35 | 0 |
| Hedge funds | 205 | 66 [3] | 271 | 0 | 184 | 111 [4] | 295 | 1 |
| Debt funds | 7 | 0 | 7 | 5 | 11 | 0 | 11 | 17 |
| Equity funds | 231 | 0 | 231 | 58 | 437 | 0 | 437 | 115 |
| Real estate funds | 222 | 0 | 222 | 57 | 282 | 0 | 282 | 76 |
| Others | 157 | 0 | 157 | 76 | 312 | 0 | 312 | 141 |
| Private equities | 617 | 0 | 617 | 196 | 1,042 | 0 | 1,042 | 349 |
| Equity method investments | 551 | 166 | 717 | 96 | 660 | 196 | 856 | 100 |
| Total funds held in other investments | 1,373 | 232 | 1,605 | 292 | 1,886 | 307 | 2,193 | 450 |
| **Total fair value** | **1,445** [5] | **1,710** [6] | **3,155** | **292** [7] | **1,967** [5] | **1,907** [6] | **3,874** | **450** [7] |

[1] 38% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 31% is redeemable on an annual basis with a notice period of more than 60 days, 24% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 7% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[2] 40% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 31% is redeemable on an annual basis with a notice period of more than 60 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 6% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[3] 64% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 30% is redeemable on demand with a notice period primarily of less than 30 days, and 6% is redeemable on an annual basis with a notice period of more than 60 days.

[4] 87% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, 5% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

[5] Includes CHF 141 million and CHF 464 million attributable to noncontrolling interests in 1Q16 and 4Q15, respectively.

[6] Includes CHF 2 million and CHF 9 million attributable to noncontrolling interests in 1Q16 and 4Q15, respectively.

[7] Includes CHF 81 million and CHF 176 million attributable to noncontrolling interests in 1Q16 and 4Q15, respectively.

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use. Nonrecurring measurements are completed as of period's end unless otherwise stated.

### Nonrecurring fair value changes

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **CHF billion** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.3** | **0.1** |
| of which level 2 | 0.3 | 0.1 |

## FAIR VALUE OPTION

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in the investment banking businesses and International Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015 for further information on the Group's election of the fair value option for certain of its financial statement captions.

### Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

| end of | 1Q16 | | | 4Q15 | | |
|---|---|---|---|---|---|---|
| | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 1,738 | 5,568 | (3,830) | 1,628 | 5,019 | (3,391) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 2 | 2 | 0 | 2 | 2 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 92,788 | 92,626 | 162 | 83,565 | 83,397 | 168 |
| Loans | 21,521 | 22,857 | (1,336) | 20,820 | 22,289 | (1,469) |
| Other assets [1] | 11,782 | 17,112 | (5,330) | 23,906 | 30,308 | (6,402) |
| Due to banks and customer deposits | (963) | (856) | (107) | (913) | (826) | (87) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (25,421) | (25,400) | (21) | (32,398) | (32,381) | (17) |
| Short-term borrowings | (3,185) | (3,309) | 124 | (3,112) | (3,263) | 151 |
| Long-term debt | (69,104) | (74,093) | 4,989 | (80,931) | (85,335) | 4,404 |
| Other liabilities | (1,029) | (2,569) | 1,540 | (984) | (2,619) | 1,635 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| in | 1Q16 | 1Q15 |
|---|---|---|
| | Net gains/ (losses) | Net gains/ (losses) |
| **Financial instruments (CHF million)** | | |
| Interest-bearing deposits with banks | 0 | 2 [1] |
| of which related to credit risk | 0 | (1) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 389 [1] | 299 [1] |
| Other investments | 146 [2] | (11) [3] |
| of which related to credit risk | (5) | 0 |
| Loans | 582 [2] | 171 [1] |
| of which related to credit risk | (60) | (15) |
| Other assets | (118) [2] | 60 [1] |
| of which related to credit risk | (101) | (4) |
| Due to banks and customer deposits | (40) [2] | 37 [2] |
| of which related to credit risk | (1) | 31 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (69) [2] | 66 [2] |
| Short-term borrowings | 252 [2] | (23) [2] |
| of which related to credit risk | – | 1 [4] |
| Long-term debt | (120) [1] | 904 [2] |
| of which related to credit risk | – | 95 [4] |
| Other liabilities | 121 [2] | 84 [3] |
| of which related to credit risk | 77 | 8 |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Primarily recognized in other revenues.
[4] Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF (60) million and CHF 127 million in 1Q15, respectively.

The following table provides additional information regarding the gains and losses attributable to changes in instrument-specific credit risk on fair value option elected liabilities which are recorded through AOCI. The table includes both the amount of change during the period and cumulatively that is attributable to the changes in instrument-specific credit risk. In addition it includes the gains and losses related to instrument-specific credit risk that was previously recorded in AOCI that have been transferred during the period to net income.

## Own credit gains/(losses) on fair value option elected instruments recorded in AOCI

| | Gains/(losses) recorded into AOCI [1] | | Gains/(losses) recorded in AOCI transferred to net income [1] |
|---|---|---|---|
| in | 1Q16 | Cumulatively | 1Q16 |
| **Financial instruments (CHF million)** | | | |
| Deposits | 0 | 1 | 0 |
| Long-term debt | 1,392 | 1,833 | 0 |
| of which treasury debt over two years | 571 | 793 | 0 |
| of which structured notes over two years | 818 | 1,024 | 0 |
| **Total** | **1,392** | **1,834** | **0** |

[1] Amounts are reflected gross of tax.

## FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheet. The disclosure excludes all non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations.

### Carrying value and fair value of financial instruments not carried at fair value

| | Carrying value | Fair value | | | |
|---|---|---|---|---|---|
| end of | | Level 1 | Level 2 | Level 3 | Total |
| **1Q16** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 43,423 | 0 | 43,423 | 0 | 43,423 |
| Loans | 244,916 | 0 | 247,448 | 6,651 | 254,099 |
| Other financial assets [1] | 150,744 | 94,190 | 54,953 | 1,881 | 151,024 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 364,478 | 197,983 | 166,424 | 0 | 364,407 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 14,729 | 0 | 14,729 | 0 | 14,729 |
| Short-term borrowings | 11,582 | 0 | 11,586 | 0 | 11,586 |
| Long-term debt | 114,386 | 0 | 114,882 | 716 | 115,598 |
| Other financial liabilities [2] | 65,424 | 2,528 | 62,428 | 604 | 65,560 |
| **4Q15 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 39,485 | 0 | 39,485 | 0 | 39,485 |
| Loans | 248,326 | 0 | 250,639 | 6,150 | 256,789 |
| Other financial assets [1] | 148,491 | 92,547 | 54,359 | 1,893 | 148,799 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 359,614 | 206,475 | 153,545 | 0 | 360,020 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 14,200 | 0 | 14,401 | 0 | 14,401 |
| Short-term borrowings | 5,546 | 0 | 5,545 | 0 | 5,545 |
| Long-term debt | 116,676 | 0 | 117,321 | 778 | 118,099 |
| Other financial liabilities [2] | 63,921 | 32 | 63,440 | 578 | 64,050 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 30 Assets pledged and collateral

The Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are disclosed on the consolidated balance sheet.

### Assets pledged

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 127,309 | 137,330 |
| of which encumbered | 81,716 | 91,278 |

### Collateral

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Group was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | 1Q16 | 4Q15 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 431,873 | 422,269 |
| of which sold or repledged | 192,885 | 186,132 |

## 31 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The Group's material proceedings, related provisions and estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions are described in *Note 39 – Litigation in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2015* and updated in subsequent quarterly reports (including those discussed below). Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Group accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

The specific matters described include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must

be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed in Note 39 referenced above and updated in quarterly reports (including below) for which the Group believes an estimate is possible is zero to CHF 2.1 billion.

In 1Q16, the Group recorded net litigation provisions of CHF 73 million. After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

**Mortgage-related matters**

The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance.

Individual investor actions

On April 22, 2016, the US District Court for the Southern District of New York (SDNY) entered judgment without any admission of liability against Credit Suisse Securities (USA) LLC (CSS LLC) and its affiliates in favor of the National Credit Union Administration, as liquidating agent of the Southwest Corporate Federal Credit Union and Members United Corporate Federal Credit Union, in the amount of USD 50.3 million (plus attorneys' fees and costs to be determined), resolving all claims related to approximately USD 229 million of RMBS at issue.

**Rates-related matters**

Another complaint has been filed against Credit Suisse Group AG and affiliates, along with other financial institutions, relating to interest rate swaps in the SDNY. This lawsuit was brought by TeraExchange LLC, a swap execution facility, and affiliates. The complaint makes similar allegations to those in the class actions.

On April 11, 2016, Credit Suisse AG, New York Branch entered into a settlement agreement with plaintiffs in a pending consolidated civil class action lawsuit in the SDNY relating to the alleged manipulation of the ISDAFIX rate for US dollars. The settlement provides for dismissal of the case with prejudice and a settlement payment of USD 50 million by Credit Suisse. On May 3, 2016, plaintiffs filed a motion for preliminary approval of the settlement, along with settlements with six other financial institutions. The settlements remain subject to court approval.

**CDS-related matters**

On April 18, 2016, the SDNY entered an order granting final approval to the settlement agreements between the putative class action plaintiffs and Credit Suisse and the other defendants, and entering final judgment and dismissal of the parties' respective actions.

## 32 Subsidiary guarantee information

Certain wholly-owned finance subsidiaries of the Group, including Credit Suisse Group Funding (Guernsey) Limited, which is a Guernsey incorporated non-cellular company limited by shares, have issued securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law for the Guernsey subsidiary, applicable to some of the Group's subsidiaries that may limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly owned subsidiary of the Group.

As part of an announced program to evolve the Group's legal entity structure to meet developing and future regulatory requirements and US Federal Reserve regulation on establishing Intermediate Holding Companies in the US for non-US banks, legal entities are re-parented as subsidiaries of Credit Suisse (USA), Inc. Prior periods are restated to conform to the current presentation to reflect the impact of such transactions.

## Condensed consolidating statements of operations

| in 1Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,665 | 2,806 | 4,471 | 71 | 43 | 4,585 |
| Interest expense | (1,046) | (1,508) | (2,554) | (85) | 65 | (2,574) |
| Net interest income | 619 | 1,298 | 1,917 | (14) | 108 | 2,011 |
| Commissions and fees | 765 | 1,839 | 2,604 | 6 | 65 | 2,675 |
| Trading revenues | (766) | 360 | (406) | 59 | 76 | (271) |
| Other revenues | 225 | 26 | 251 | (366) [2] | 338 | 223 |
| **Net revenues** | **843** | **3,523** | **4,366** | **(315)** | **587** | **4,638** |
| **Provision for credit losses** | **1** | **140** | **141** | **0** | **9** | **150** |
| Compensation and benefits | 804 | 1,699 | 2,503 | 5 | (26) | 2,482 |
| General and administrative expenses | 484 | 1,380 | 1,864 | (19) | 3 | 1,848 |
| Commission expenses | 57 | 326 | 383 | 0 | 4 | 387 |
| Restructuring expenses | 120 | 113 | 233 | 0 | 22 | 255 |
| Total other operating expenses | 661 | 1,819 | 2,480 | (19) | 29 | 2,490 |
| **Total operating expenses** | **1,465** | **3,518** | **4,983** | **(14)** | **3** | **4,972** |
| **Income/(loss) from continuing operations before taxes** | **(623)** | **(135)** | **(758)** | **(301)** | **575** | **(484)** |
| Income tax expense/(benefit) | (253) | (48) | (301) | 1 | 121 | (179) |
| **Net income/(loss)** | **(370)** | **(87)** | **(457)** | **(302)** | **454** | **(305)** |
| Net income/(loss) attributable to noncontrolling interests | 18 | (25) | (7) | 0 | 4 | (3) |
| **Net income/(loss) attributable to shareholders** | **(388)** | **(62)** | **(450)** | **(302)** | **450** | **(302)** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 1Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | (370) | (87) | (457) | (302) | 454 | (305) |
| Gains/(losses) on cash flow hedges | 0 | 46 | 46 | 0 | 0 | 46 |
| Foreign currency translation | (580) | (256) | (836) | 2 | (21) | (855) |
| Unrealized gains/(losses) on securities | 0 | 4 | 4 | 0 | 1 | 5 |
| Actuarial gains/(losses) | 7 | 3 | 10 | 0 | 95 | 105 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (28) | (28) |
| Gains/(losses) on liabilities relating to credit risk | 49 | 1,043 | 1,092 | 88 | 86 | 1,266 |
| Other comprehensive income/(loss), net of tax | (524) | 840 | 316 | 90 | 133 | 539 |
| **Comprehensive income/(loss)** | **(894)** | **753** | **(141)** | **(212)** | **587** | **234** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (5) | (40) | (45) | 0 | 24 | (21) |
| **Comprehensive income/(loss) attributable to shareholders** | **(889)** | **793** | **(96)** | **(212)** | **563** | **255** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 1Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,691 | 2,672 | 4,363 | 69 | 58 | 4,490 |
| Interest expense | (1,063) | (1,249) | (2,312) | (81) | 55 | (2,338) |
| Net interest income | 628 | 1,423 | 2,051 | (12) | 113 | 2,152 |
| Commissions and fees | 947 | 1,978 | 2,925 | 2 | 52 | 2,979 |
| Trading revenues | 78 | 1,328 | 1,406 | (8) | (8) | 1,390 |
| Other revenues | 114 | 43 | 157 | 1,076 [2] | (1,107) | 126 |
| **Net revenues** | **1,767** | **4,772** | **6,539** | **1,058** | **(950)** | **6,647** |
| **Provision for credit losses** | **0** | **20** | **20** | **0** | **10** | **30** |
| Compensation and benefits | 1,001 | 1,954 | 2,955 | 29 | (8) | 2,976 |
| General and administrative expenses | 438 | 1,316 | 1,754 | (26) | 10 | 1,738 |
| Commission expenses | 61 | 328 | 389 | 0 | 3 | 392 |
| Total other operating expenses | 499 | 1,644 | 2,143 | (26) | 13 | 2,130 |
| **Total operating expenses** | **1,500** | **3,598** | **5,098** | **3** | **5** | **5,106** |
| **Income/(loss) from continuing operations before taxes** | **267** | **1,154** | **1,421** | **1,055** | **(965)** | **1,511** |
| Income tax expense | 94 | 355 | 449 | 1 | 27 | 477 |
| **Net income/(loss)** | **173** | **799** | **972** | **1,054** | **(992)** | **1,034** |
| Net income/(loss) attributable to noncontrolling interests | (15) | (1) | (16) | 0 | (4) | (20) |
| **Net income/(loss) attributable to shareholders** | **188** | **800** | **988** | **1,054** | **(988)** | **1,054** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 1Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 173 | 799 | 972 | 1,054 | (992) | 1,034 |
| Gains/(losses) on cash flow hedges | 0 | 22 | 22 | (14) | 0 | 8 |
| Foreign currency translation | (349) | (1,140) | (1,489) | (3) | (1) | (1,493) |
| Unrealized gains/(losses) on securities | 0 | 7 | 7 | 0 | 3 | 10 |
| Actuarial gains/(losses) | 9 | 8 | 17 | 0 | 72 | 89 |
| Net prior service credit/(cost) | (4) | 1 | (3) | 0 | (18) | (21) |
| Other comprehensive income/(loss), net of tax | (344) | (1,102) | (1,446) | (17) | 56 | (1,407) |
| **Comprehensive income/(loss)** | **(171)** | **(303)** | **(474)** | **1,037** | **(936)** | **(373)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (37) | (17) | (54) | 0 | 10 | (44) |
| **Comprehensive income/(loss) attributable to shareholders** | **(134)** | **(286)** | **(420)** | **1,037** | **(946)** | **(329)** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 1Q16 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 3,042 | 89,201 | 92,243 | 685 | 1,282 | 94,210 |
| Interest-bearing deposits with banks | 64 | 4,620 | 4,684 | 5 | (3,821) | 868 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 108,015 | 28,563 | 136,578 | 0 | (367) | 136,211 |
| Securities received as collateral | 23,624 | 2,136 | 25,760 | 0 | 0 | 25,760 |
| Trading assets | 54,148 | 133,598 | 187,746 | 0 | (196) | 187,550 |
| Investment securities | 1,066 | 1,703 | 2,769 | 3,676 | (3,302) | 3,143 |
| Other investments | 2,090 | 3,958 | 6,048 | 47,331 | (47,085) | 6,294 |
| Net loans | 11,775 | 240,555 | 252,330 | 138 | 17,780 | 270,248 |
| Premises and equipment | 882 | 3,526 | 4,408 | 0 | 201 | 4,609 |
| Goodwill | 707 | 3,114 | 3,821 | 0 | 867 | 4,688 |
| Other intangible assets | 146 | 40 | 186 | 0 | 0 | 186 |
| Brokerage receivables | 17,493 | 18,009 | 35,502 | 0 | 2 | 35,504 |
| Other assets | 13,511 | 31,075 | 44,586 | 316 | (275) | 44,627 |
| **Total assets** | **236,563** | **560,098** | **796,661** | **52,151** | **(34,914)** | **813,898** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 206 | 24,215 | 24,421 | 2,122 | (2,582) | 23,961 |
| Customer deposits | 0 | 333,168 | 333,168 | 0 | 11,377 | 344,545 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 71,830 | (31,680) | 40,150 | 0 | 0 | 40,150 |
| Obligation to return securities received as collateral | 23,624 | 2,136 | 25,760 | 0 | 0 | 25,760 |
| Trading liabilities | 12,436 | 41,267 | 53,703 | 0 | (121) | 53,582 |
| Short-term borrowings | 47,653 | (32,885) | 14,768 | 300 | (300) | 14,768 |
| Long-term debt | 23,258 | 154,740 | 177,998 | 4,512 | 980 | 183,490 |
| Brokerage payables | 28,652 | 13,228 | 41,880 | 0 | 0 | 41,880 |
| Other liabilities | 11,579 | 28,371 | 39,950 | 220 | 145 | 40,315 |
| **Total liabilities** | **219,238** | **532,560** | **751,798** | **7,154** | **9,499** | **768,451** |
| **Total shareholders' equity** | **16,960** | **26,829** | **43,789** | **44,997** | **(43,789)** | **44,997** |
| Noncontrolling interests | 365 | 709 | 1,074 | 0 | (624) | 450 |
| **Total equity** | **17,325** | **27,538** | **44,863** | **44,997** | **(44,413)** | **45,447** |
| **Total liabilities and equity** | **236,563** | **560,098** | **796,661** | **52,151** | **(34,914)** | **813,898** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets (continued)

| end of 4Q15 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 5,496 | 85,025 | 90,521 | 942 | 865 | 92,328 |
| Interest-bearing deposits with banks | 70 | 4,883 | 4,953 | 5 | (4,091) | 867 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 105,469 | 17,967 | 123,436 | 0 | (387) | 123,049 |
| Securities received as collateral | 27,274 | 1,237 | 28,511 | 0 | 0 | 28,511 |
| Trading assets | 59,297 | 131,799 | 191,096 | 0 | (359) | 190,737 |
| Investment securities | 1,009 | 1,689 | 2,698 | 4,092 | (3,700) | 3,090 |
| Other investments | 2,693 | 4,094 | 6,787 | 46,795 | (46,561) | 7,021 |
| Net loans | 13,000 | 241,915 | 254,915 | 139 | 17,941 | 272,995 |
| Premises and equipment | 899 | 3,540 | 4,439 | 0 | 205 | 4,644 |
| Goodwill | 731 | 3,198 | 3,929 | 0 | 879 | 4,808 |
| Other intangible assets | 152 | 44 | 196 | 0 | 0 | 196 |
| Brokerage receivables | 17,630 | 16,910 | 34,540 | 0 | 2 | 34,542 |
| Other assets | 24,382 | 33,528 | 57,910 | 228 | (121) | 58,017 |
| **Total assets** | **258,102** | **545,829** | **803,931** | **52,201** | **(35,327)** | **820,805** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 62 | 21,398 | 21,460 | 2,152 | (2,558) | 21,054 |
| Customer deposits | 1 | 331,699 | 331,700 | 0 | 11,005 | 342,705 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 77,028 | (30,430) | 46,598 | 0 | 0 | 46,598 |
| Obligation to return securities received as collateral | 27,274 | 1,237 | 28,511 | 0 | 0 | 28,511 |
| Trading liabilities | 11,062 | 37,992 | 49,054 | 0 | (83) | 48,971 |
| Short-term borrowings | 43,518 | (34,861) | 8,657 | 300 | (300) | 8,657 |
| Long-term debt | 39,127 | 152,967 | 192,094 | 5,025 | 489 | 197,608 |
| Brokerage payables | 28,399 | 11,053 | 39,452 | 0 | 0 | 39,452 |
| Other liabilities | 13,209 | 28,506 | 41,715 | 342 | 174 | 42,231 |
| **Total liabilities** | **239,680** | **519,561** | **759,241** | **7,819** | **8,727** | **775,787** |
| **Total shareholders' equity** | **17,684** | **25,722** | **43,406** | **44,382** | **(43,406)** | **44,382** |
| Noncontrolling interests | 738 | 546 | 1,284 | 0 | (648) | 636 |
| **Total equity** | **18,422** | **26,268** | **44,690** | **44,382** | **(44,054)** | **45,018** |
| **Total liabilities and equity** | **258,102** | **545,829** | **803,931** | **52,201** | **(35,327)** | **820,805** |

[1] Includes eliminations and consolidation adjustments.

# List of abbreviations

| | |
|---|---|
| **A** | |
| ABS | Asset-backed securities |
| ADS | American Depositary Share |
| AMF | Asset Management Finance LLC |
| AOCI | Accumulated other comprehensive income/(loss) |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Update |
| **B** | |
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| bp | Basis point |
| **C** | |
| CCA | Contingent Capital Awards |
| CCP | Central Counterparty |
| CDO | Collateralized debt obligation |
| CDS | Credit default swaps |
| CET1 | Common equity tier 1 |
| CFE | Collateralized financing entity |
| CFTC | Commodity Futures Trading Commission |
| CMBS | Commercial mortgage-backed securities |
| COO | Chief Operating Officer |
| CP | Commercial paper |
| CPR | Constant prepayment rate |
| CSS LLC | Credit Suisse Securities (USA) LLC |
| CVA | Credit valuation adjustment |
| **D** | |
| DVA | Debit valuation adjustment |
| **E** | |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| EC | European Commission |
| ECB | European Central Bank |
| EGM | Extraordinary General Meeting |
| EMEA | Europe, Middle East and Africa |
| EMIR | European Market Infrastructure Regulation |
| ERISA | Employee Retirement Security Act of 1974 |
| ESMA | European Securities and Markets Authority |
| EU | European Union |
| **F** | |
| FASB | Financial Accounting Standards Board |
| Fed | US Federal Reserve |
| FIFA | Fédération Internationale de Football Association |
| FINMA | Swiss Financial Market Supervisory Authority FINMA |
| FSB | Financial Stability Board |
| **G** | |
| G-20 | Group of Twenty Finance Ministers and Central Bank Governors |
| GDP | Gross Domestic Product |
| GSE | Government-sponsored enterprise |
| G-SIB | Global Systemically Important Bank |
| **H** | |
| HNWI | High-net-worth individual |
| **I** | |
| IPO | Initial public offering |
| IRC | US Internal Revenue Code |
| ISDA | International Swaps and Derivatives Association |
| **L** | |
| LCR | Liquidity coverage ratio |
| **M** | |
| MiFID II | Revised Markets in Financial Instruments Directive |
| M&A | Mergers and acquisitions |
| **N** | |
| NAV | Net asset value |
| NRV | Negative replacement value |
| NSFR | Net stable funding ratio |
| **O** | |
| OTC | Over-the-counter |
| **P** | |
| PRV | Positive replacement value |
| PSA | Prepayment speed assumption |
| **Q** | |
| QoQ | Quarter on quarter |
| **R** | |
| RMBS | Residential mortgage-backed securities |
| RWA | Risk-weighted assets |
| **S** | |
| SBS | Security-based swap |
| SCNY | Supreme Court for the State of New York, New York County |
| SDNY | US District Court for the Southern District of New York |
| SEC | US Securities and Exchange Commission |
| SEI | Significant economic interest |
| SNB | Swiss National Bank |
| SPE | Special purpose entity |
| SPIA | Single premium immediate annuity |
| **T** | |
| TRS | Total return swap |
| **U** | |
| UK | United Kingdom |
| UHNWI | Ultra-high-net-worth individual |
| US | United States of America |
| US GAAP | US generally accepted accounting principles |
| **V** | |
| VaR | Value-at-risk |
| VDAX | Deutsche Börse AG DAX Volatility Index |
| VIE | Variable interest entity |
| VIX | Chicago Board Options Exchange Market Volatility Index |
| **Y** | |
| YoY | Year on year |
| Ytd | Year to date |

# Investor information

## Share data

| in / end of | 1Q16 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| **Share price (common shares, CHF)** | | | | |
| Average | 15.80 | 23.85 | 26.52 | 26.74 |
| Minimum | 12.31 | 18.22 | 23.77 | 22.90 |
| Maximum | 21.31 | 27.89 | 30.08 | 30.29 |
| End of period | 13.61 | 21.69 | 25.08 | 27.27 |
| **Share price (American Depositary Shares, USD)** | | | | |
| Average | 15.89 | 25.43 | 28.98 | 28.85 |
| Minimum | 12.68 | 20.48 | 24.84 | 24.56 |
| Maximum | 21.36 | 29.69 | 33.19 | 33.84 |
| End of period | 14.13 | 21.69 | 25.08 | 30.84 |
| **Market capitalization** | | | | |
| Market capitalization (CHF million) | 26,640 | 42,456 | 40,308 | 43,526 |
| Market capitalization (USD million) | 27,658 | 42,456 | 40,308 | 49,224 |
| **Dividend per share (CHF)** | | | | |
| Dividend per share | – | 0.70 [1] | 0.70 [1] | 0.70 [1] |

[1] Paid out of capital contribution reserves.

## Ticker symbols / stock exchange listings

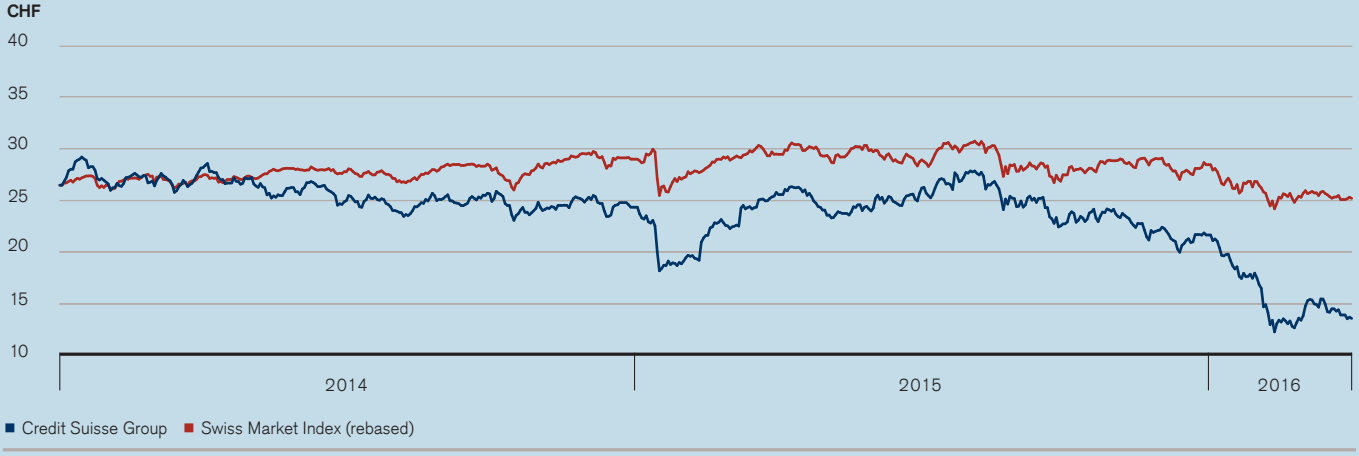
| | Common shares | ADS [1] |
|---|---|---|
| **Ticker symbols** | | |
| SIX Financial Information | CSGN | – |
| Bloomberg | CSGN VX | CS US |
| Reuters | CSGN.VX | CS.N |
| **Stock exchange listings** | | |
| Swiss security number | 1213853 | 570660 |
| ISIN number | CH0012138530 | US2254011081 |
| CUSIP number | – | 225 401 108 |

[1] One American Depositary Share (ADS) represents one common share.

## Bond ratings

| as of May 9, 2016 | Moody's | Standard & Poor's | Fitch Ratings |
|---|---|---|---|
| **Credit Suisse Group ratings** | | | |
| Short-term | – | – | F1 |
| Long-term | Baa3 | BBB+ | A |
| Outlook | Stable | Stable | Stable |
| **Credit Suisse (the Bank) ratings** | | | |
| Short-term | P-1 | A-1 | F1 |
| Long-term | A2 | A | A |
| Outlook | Stable | Stable | Positive |

## Share performance



# Financial calendar and contacts

| Financial calendar | |
|---|---|
| Second quarter results 2016 | Thursday, July 28, 2016 |

| Investor relations | |
|---|---|
| Phone | +41 44 333 71 49 |
| E-mail | investor.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/investors |

| Media relations | |
|---|---|
| Phone | +41 844 33 88 44 |
| E-mail | media.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/news |

| Additional information | |
|---|---|
| Results and financial information | www.credit-suisse.com/results |
| Printed copies | Credit Suisse AG |
| | GCPD 1 |
| | 8070 Zurich |
| | Switzerland |

| US share register and transfer agent | |
|---|---|
| | Deutsche Bank |
| ADS depositary bank | Trust Company Americas |
| Address | American Stock Transfer & Trust Co. |
| | Operations Center |
| | 6201 15th Avenue |
| | Brooklyn, NY 11219 |
| | United States |
| US and Canada phone | +1 866 249 2593 |
| Phone from outside US and Canada | +1 718 921 8124 |
| E-mail | DB@amstock.com |

| Swiss share register and transfer agent | |
|---|---|
| Address | Credit Suisse Group AG |
| | Share Register RXS |
| | 8070 Zurich |
| | Switzerland |
| Phone | +41 44 332 02 02 |
| E-mail | share.register@credit-suisse.com |

## Foreign currency translation rates

| | End of | | | Average in | | |
|---|---|---|---|---|---|---|
| | **1Q16** | 4Q15 | 1Q15 | **1Q16** | 4Q15 | 1Q15 |
| 1 USD / CHF | 0.96 | 0.99 | 0.97 | 1.00 | 1.00 | 0.95 |
| 1 EUR / CHF | 1.09 | 1.08 | 1.04 | 1.09 | 1.09 | 1.07 |
| 1 GBP / CHF | 1.38 | 1.47 | 1.44 | 1.42 | 1.51 | 1.45 |
| 100 JPY / CHF | 0.85 | 0.82 | 0.81 | 0.86 | 0.82 | 0.80 |

**Cautionary statement regarding forward-looking information**

This report contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in "Risk factors" in I – Information on the company in our Annual Report 2015.

## CREDIT SUISSE ANNUAL REPORTING SUITE










Our 2015 annual publication suite consisting of Annual Report and Corporate Responsibility Report, which also contains the Company Profile, is available on our website www.credit-suisse.com/investors.

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

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## Form 6-K

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**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

April 29, 2016

Commission File Number 001-15244

# CREDIT SUISSE GROUP AG

(Translation of registrant's name into English)

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

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Commission File Number 001-33434

# CREDIT SUISSE AG

(Translation of registrant's name into English)

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

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note**: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

This report on Form 6-K is being filed by Credit Suisse Group AG and Credit Suisse AG and is hereby incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and the Registration Statements on Form S-8 (file no. 333-101259 and file no. 333-208152), except for the sections entitled “Statement by Urs Rohner, Chairman of the Board of Directors”, “Voting Results” and “Information” of the Media Release, as well as the last paragraph under the section entitled “Distribution payable out of capital contribution reserves” and the last paragraph under the section entitled “Credit Suisse AG” of the Media Release.



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## Media Release

# Annual General Meeting of Credit Suisse Group AG: All Proposals Put Forward by the Board of Directors Approved

Zurich, April 29, 2016 **The shareholders of Credit Suisse Group AG approved all of the proposals of the Board of Directors at today's Annual General Meeting in Zurich. Shareholders approved the distribution for the 2015 financial year of CHF 0.70 per registered share, which they can elect to receive either in the form of new shares (scrip dividend) or in cash or a combination thereof. The increase in authorized capital to service the 2016 scrip dividend as well as the increase in authorized capital for future acquisitions were also approved by shareholders. In addition, the Annual General Meeting approved the compensation of the Board of Directors and the Executive Board and accepted the 2015 Compensation Report. The Chairman and the other members of the Board of Directors proposed for re-election were confirmed in office for a further term of one year. Alexander Gut and Joaquin J. Ribeiro were elected as new members of the Board of Directors.**

At today's Annual General Meeting of Credit Suisse Group AG in Zurich, shareholders approved all of the proposals put forward by the Board of Directors.

**Distribution payable out of capital contribution reserves**
With a majority of 96.76%, shareholders approved a distribution of CHF 0.70 per registered share payable out of capital contribution reserves for the 2015 financial year in the form of a scrip dividend, a cash distribution or a combination thereof. The distribution remains subject to the provisions of foreign law concerning the acquisition of new shares. Should no choice be made, the distribution will be paid out entirely in cash.

Both the delivery of the new shares and the distribution in cash are scheduled for June 6, 2016. The issue price of the new shares will be based on the five-day average of the daily volume-weighted average prices from May 26, 2016, to June 1, 2016, of the registered shares of Credit Suisse Group AG listed on the SIX Swiss Exchange AG, less a discount of between 8% and 10%. The final discount will be communicated separately in due course.

Further information on the scrip dividend can be found in the ‘Shareholder Information – Summary Document’, which is available on the Credit Suisse website at: www.credit-suisse.com/agm

**Increase and Extension of Authorized Capital for Scrip Dividend and Future Acquisitions**
With a majority of 88.73%, shareholders approved the increase in authorized capital in order to service the 2016 scrip dividend. Following the approval by shareholders, the authorized capital reserved for the stock or scrip dividend will be increased from currently CHF 1,150,944.04 (equivalent to 28,773,601 registered shares) to a maximum of CHF 5,200,000 (equivalent to 130,000,000 registered shares), and Art. 27 of the Articles of Association will be amended accordingly.

In addition, with a majority of 87.07%, shareholders approved a further increase of authorized capital for future acquisitions from currently CHF 4,000,000 (equivalent to 100,000,000 registered shares) to a maximum of 5,200,000 (equivalent to 130,000,000 registered shares),the extension of the authorization by another year and a corresponding amendment to Art. 27 of the Articles of Association.

Following the approval by shareholders of both of these increases, the total authorized capital will amount to CHF 10,400,000 (equivalent to 260,000,000 shares).

**Elections to the Board of Directors**
Chairman Urs Rohner and the other members of the Board of Directors who stood for re-election were confirmed in office for a further term of one year.

Alexander Gut and Joaquin J. Ribeiro were elected to the Board of Directors as new members for a term of office of one year.

Alexander Gut is a Swiss Certified Accountant and holds a Ph.D. in Business Administration from the University of Zurich. Between 1991 and 2007, he was at KPMG Zurich and London, and at Ernst & Young Zurich as a bank auditor and transaction advisor for the financial services sector. In 2005 Alexander Gut was promoted to the Executive Committee of KPMG in Switzerland with responsibility for their Audit Financial Services practice. Since 2007 he has been Managing Partner of Gut Corporate Finance AG, an independent corporate finance advisory firm. Alexander Gut is a non-executive member of the Board of Directors and committee chair of Adecco SA and LafargeHolcim Ltd as well as a non-executive member of the Board of Directors of SIHAG, Swiss Industrial Holding Ltd.

Joaquin J. Ribeiro is a Certified Public Accountant in the United States and holds an MBA in Finance from New York University and a Business Executive Certificate from the Columbia Business School. Joaquin J. Ribeiro is Vice Chairman of Deloitte LLP (USA) and Chairman of Deloitte's Global Financial Services Industry practice (GFSI). He served in these leadership roles until his retirement on April 15, 2016. He has almost four decades of serving financial services clients in the United States and internationally, and has played a prominent role in the management of Deloitte's key GFSI practices around the world, including leading Deloitte's GFSI practices in Asia from 1997 to 2003, and in the United States from 2003 to 2007.

Sebastian Thrun, who joined the Board of Directors in 2014, has been appointed as senior advisor to the newly established fintech innovation factory "Credit Suisse Labs" and did therefore not stand for re-election to the Board of Directors of Credit Suisse Group.

**Re-Election of the Members of the Compensation Committee**
The Annual General Meeting re-elected Iris Bohnet, Andreas N. Koopmann, Jean Lanier and Kai S. Nargolwala as members of the Compensation Committee for a term of one year. Jean Lanier will serve as Chairman of the Compensation Committee for a further year.



**Approval of the Compensation of the Board of Directors and the Executive Board**
The Annual General Meeting adopted the proposal to approve a maximum amount of compensation for the Board of Directors of CHF 12.0 million for the period until the 2017 Annual General Meeting of Shareholders with a majority of 83.26%.

Additionally, the Annual General Meeting adopted the proposal of the Board of Directors to approve the aggregate amount of CHF 34.58 million for short-term variable compensation for the Executive Board for the 2015 financial year, with a majority of 81.48%. The Annual General Meeting also adopted the proposal to approve a maximum amount of CHF 33.0 million for the fixed compensation for the Executive Board for the period until the 2017 Annual General Meeting of Shareholders with a majority of 85.05% and approved the maximum amount of CHF 49.0 million for long-term variable compensation for the 2016 financial year, with a majority of 82.95%.

**Consultative Vote on the 2015 Compensation Report**
In a consultative vote, shareholders approved the 2015 Compensation Report, with a majority of 79.39%.

**Statements by Urs Rohner, Chairman of the Board of Directors**
Urs Rohner, Chairman of the Board of Directors of Credit Suisse Group, commented: “On behalf of the Board of Directors, I would like to thank our shareholders who participated in today’s Annual General Meeting for approving all the proposals put forward today. I am delighted to welcome Alexander Gut and Joaquin J. Ribeiro as new members of our Board of Directors. I am confident that with their vast expertise and experience in the areas of financial services and bank audit, they will both be extremely valuable additions to the Board of Directors. I also express my considerable thanks to Sebastian Thrun, who did not stand for re-election, for his valuable contribution to the Board of Directors. In his new role as Senior Advisor to our newly established Silicon Valley-based fintech venture ‘Credit Suisse Labs’, he will continue to use his in-depth technological expertise to help position Credit Suisse at the forefront of banking innovation."

**Voting Results**
All the voting results, together with the speeches of Urs Rohner, Chairman of the Board of Directors, and Tidjane Thiam, Chief Executive Officer, are available on the Internet in English, German and French at: www.credit-suisse.com/agm

**Information**
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Investor Relations Credit Suisse, tel.+41 44 333 71 49, investor.relations@credit-suisse.com

**Credit Suisse AG**
Credit Suisse AG is one of the world's leading financial services providers and is part of the Credit Suisse group of companies (referred to here as 'Credit Suisse'). As an integrated bank, Credit Suisse offers clients its combined expertise in the areas of private banking, investment banking and asset management. Credit Suisse provides advisory services, comprehensive solutions and innovative products to companies, institutional clients and high-net-worth private clients globally, as well as to retail clients in Switzerland. Credit Suisse is headquartered in Zurich and operates in over 50 countries worldwide. The group employs approximately 48,200 people. The registered shares (CSGN) of Credit Suisse's parent company, Credit Suisse Group AG, are listed in Switzerland and, in the form of American Depositary Shares (CS), in New York. Further information about Credit Suisse can be found at www.credit-suisse.com.

A “Shareholder Information − Summary Document” containing a more detailed description of the option to receive the distribution in new shares is available to shareholders of Credit Suisse Group. The conditions for the exercise of the scrip alternative, including possible



restrictions to its availability to some Credit Suisse Group shareholders, are specified in such “Shareholder Information − Summary Document”. This media release does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, securities of Credit Suisse Group, nor shall it (or any part of it) or the fact of its distribution form the basis of, or be relied on in connection with, any contract therefor. This media release does not constitute a prospectus within the meaning of any applicable law. Eligible shareholders should make their decision to receive a cash distribution or to receive new shares of Credit Suisse Group as part of the 2016 distribution solely based on the terms and conditions of the 2016 distribution and the additional information contained in the relevant documents. This media release does not represent a recommendation to shareholders to elect to receive new shares of Credit Suisse Group as part of the 2016 distribution. Eligible shareholders are furthermore advised to consult their bank, tax or financial advisor before making any decision.

**Cautionary statement regarding forward-looking information**

This press release contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

– our plans, objectives or goals;
– our future economic performance or prospects;
– the potential effect on our future performance of certain contingencies; and
– assumptions underlying any such statements.

Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

– the ability to maintain sufficient liquidity and access capital markets;
– market volatility and interest rate fluctuations and developments affecting interest rate levels;
– the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
– the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
– adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
– the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs, and more efficient use of capital;
– the ability of counterparties to meet their obligations to us;
– the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
– political and social developments, including war, civil unrest or terrorist activity;
– the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
– operational factors such as systems failure, human error, or the failure to implement procedures properly;
– actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
– the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
– competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
– the ability to retain and recruit qualified personnel;
– the ability to maintain our reputation and promote our brand;
– the ability to increase market share and control expenses;
– technological changes;
– the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
– acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
– the adverse resolution of litigation, regulatory proceedings, and other contingencies;
– the ability to achieve our cost efficiency goals and cost targets; and
– our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk factors” in chapter I – Information on the company in our Annual Report 2015.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

CREDIT SUISSE GROUP AG and CREDIT SUISSE AG
(Registrants)

By: /s/ Christian Schmid
Christian Schmid
Managing Director

/s/ Claude Jehle
Claude Jehle
Director

Date: April 29, 2016

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

# Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

March 23, 2016

Commission File Number 001-15244

# CREDIT SUISSE GROUP AG

(Translation of registrant's name into English)

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

Commission File Number 001-33434

# CREDIT SUISSE AG

(Translation of registrant's name into English)

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

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note**: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K

submission or other Commission filing on EDGAR.

This report is being filed by Credit Suisse Group AG and Credit Suisse AG and is hereby incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and the Registration Statements on Form S-8 (file no. 333-101259 and file no. 333-208152).

**CREDIT SUISSE GROUP AG**
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media.relations@credit-suisse.com

# Media Release

## Credit Suisse accelerates its restructuring

Notice
For clarity: The NNA inflow figures referenced for Swiss UB, IWM and APAC refer to our current projections for the full 1Q16.

Zurich, March 23, 2016

**Tidjane Thiam, Chief Executive Officer of Credit Suisse, commented**:
"Our recent performance has highlighted further two key areas of challenge for Credit Suisse:

- Our fixed cost base, and
- Our scale in Global Markets in the Americas and Europe."

"When presenting our 4Q15 results on February 4, 2016, we indicated that we would further develop our plans to tackle these challenges. Today, we are presenting the results of this assessment and will also take the opportunity to update you on elements of our 1Q16 performance."

"Since October 2015, we have made good progress in reducing our fixed cost base across the organization and our cost program is moving at pace. Today, we are announcing an increase to our 2018 cost reduction target from CHF 3.5 billion gross savings to at least CHF 4.3 billion, driving our absolute operating cost base below CHF 18 billion by 2018. For 2016, we aim to achieve CHF 1.7 billion in cost savings."

"Regarding our Global Markets activities, the combination of a high and inflexible cost base, exposure to illiquid inventory in fixed income, historically low levels of client activity and challenging market conditions has led to disappointing financial results. In this context, we have taken immediate action to reduce outsized positions in activities not consistent with our new strategy and systematically reduced our exposures. Write-downs were USD 633 million in 4Q15 and were lower in 1Q16 at USD 346 million as of March 11, 2016. Revenues have remained weak in the period, with negative operational leverage."

"More fundamentally and in parallel, we have reassessed our portfolio of business in this new context and are engaged in a further restructuring of Global Markets."

"Our reconfigured Global Markets activities will consume less capital and produce more stable earnings with a more fee-based, client-driven model. We are reducing our RWA target from USD 83-85 billion announced in October 2015 to USD 60 billion and our leverage target from USD 380 billion to USD 290 billion by end-2016. Going forward, our activities will be more closely aligned to our wealth management and IBCM divisions."

"Our divisions targeted for growth have been making good progress in 1Q16 and we have recorded positive NNA inflows for APAC, IWM and Swiss UB of CHF 3.6 billion, CHF 7.1 billion and CHF 4.5 billion, respectively, year to date. We remain confident about the long-term potential for profitable growth in our chosen markets, as well in our IBCM activities."

"Our capital position remains strong in spite of challenging market conditions. The cost savings underway and the continued restructuring of Global Markets will contribute to making our capital position more resilient. In addition, we plan to execute asset and business sales of more than CHF 1.0 billion in 2016. We will also adjust our growth investments, keeping up to CHF 1.0 billion of the announced CHF 1.5 billion growth investment spend discretionary. With these actions, we aim to operate between 11% and12% look-through CET1 ratio in 2016 in challenging conditions[1]."

"Our efforts aim at putting Credit Suisse in a position to generate capital and grow profitably in the medium and long term. The measures we are taking to strengthen our capital base and reduce our operating costs will improve our resilience and flexibility going forward. We are well-positioned for profitable growth in our chosen markets, with our geographic divisions – APAC, IWM and Swiss UB – set to benefit over time from the investments we are making and the continued focus of our teams."

**Acceleration of cost savings**

- The Group has accelerated the pace of cost savings in 1Q16. To date, we have announced a headcount reduction of 6,000 of which 2,800 have been actioned year to date. Every division has contributed to the cost savings and headcount reductions over the quarter.

- Today, we are in a position to set a gross cost saving target of CHF 1.7 billion for 2016 and CHF 1.4 billion on a net basis. This will lead to an operating cost base of CHF 19.8 billion in 2016.

- The Group is increasing its 2018 gross cost saving target from CHF 3.5 billion to at least CHF 4.3 billion and its 2018 net cost saving targets are increased from CHF 2.0 billion to at least CHF 3.0 billion. This will lead to an operating cost base of below CHF 18.0 billion by end-2018. The Global Markets' cost base will be reduced from CHF 6.6 billion at end-2015 to CHF 5.4 billion by end-2018.

**Accelerating the restructuring of Global Markets**

- We are reducing the RWA targets from USD 83-85 billion to USD 60 billion by end-2016. The 2016 leverage target has been reduced from USD 380 billion to USD 290 billion.

- A number of actions have been underway since our Investor Day on October 21, 2015, to address the challenges we face in our Global Markets activities. A high and inflexible cost base was exacerbated by volatile market conditions and lower volumes in 4Q15. We are taking action to lower the cost base of Global Markets by reducing headcount by 2,000. This will drive a decline in the Global Markets' cost base from USD 6.6 billion to USD 5.4 billion by end-2018. Global Markets expects further write-downs in 1Q16 (USD 346 million as of March 11, 2016 vs. USD 633 million for 4Q15), resulting in a loss for 1Q16, albeit at a lower level compared to 4Q15.

We have downscaled exposures that are not commensurate with our risk appetite. Our legacy exposures have been actively managed lower since 4Q15. In Distressed Credit, we have reduced the size of our inventory from USD 2.9 billion to USD 2.1 billion, with gross write-downs of USD 99 million. US CLO positions have been substantially cut from

[1] Making no allowance for significant litigation expenses.

- USD 800 million to USD 300 million, with gross write-downs of USD 64 million to date. To date, 1Q16 trading revenues are expected to be down 40-45% compared to 1Q15.

- We are exiting activities that are not consistent with our new strategy. The future shape of Global Markets will comprise an Equities business, a restructured Credit business and a Solutions platform, which will aggregate our derivative capabilities across products as well as Emerging Markets. We are exiting Distressed Credit, European Securitized Product trading and Long-Term Illiquid Funding and we are reducing capital allocation to other lines of business, including consolidating FX Cash and Options into our STS operations, which are part of the Swiss UB. Equities will remain a core area of focus for the bank and we will continue to build on our leading Cash, Prime and ECM franchises.

- Post restructuring, Global Markets will achieve improved risk-adjusted returns through lower inventory and improved business mix. The business is expected to generate returns on regulatory capital at or above 15% in market conditions similar to those in 2014. The maximum quarterly loss scenarios will be reduced by approximately 50% in a stressed scenario.

**Measures to ensure a strong capital position**

- In terms of look-through CET1 ratio, Credit Suisse intends to operate within a range of between 11% and 12%[1] in 2016.

- In addition to the accelerated cost reductions and the restructuring of Global Markets, a number of additional measures, including business and asset disposals of at least CHF 1.0 billion and a more precise targeting of our growth investments spend, will help us to protect our capital position in challenging markets.

- The partial IPO* of the Swiss UB[2] planned for 2017 is on track.

**Asia Pacific (inter)**

APAC has continued its solid performance in Private Banking in 1Q16 with NNA inflows of CHF 3.6 billion year to date, delivering stable growth and momentum to the Private Bank. Recruitment of relationship managers remains positive, with the platform attracting talent from across the region. The close collaboration between Private Banking and Investment Banking continues to be a source of strength for our APAC division. Investment Banking revenues are down in 1Q16 year to date when measured against an exceptional 1Q15 and are broadly flat against the same period in 2014. The business remains on track.

**Swiss Universal Bank (Swiss UB)**

Our Swiss UB has performed well year to date, with resilient pre-tax income performance expected in 1Q16.

Private Banking has generated positive NNA inflows totalling CHF 4.5 billion year to date and is making solid progress with mandates penetration.

Cost savings for the division are encouraging year to date.

The partial IPO* of the Swiss UB[4] (20-30%) in 2017 is on track, market conditions permitting. In January 2016, the banking license application was filed for Credit Suisse (Schweiz) AG and the legal entity is expected to be operational during 3Q16.

[1] Making no allowance for significant litigation expenses.

[2] Credit Suisse (Schweiz) AG

[4] Credit Suisse (Schweiz) AG

**International Wealth Management (IWM)**
IWM has a focus on compliant business growth. We have announced the launch of a joint venture with Palantir, taking a technology-led, innovative approach towards compliance and operational risk after the success we have had in improving our investment bank compliance working closely with Palantir.
IWM delivered resilient revenues year to date within Private Banking, driven by strong net interest income and strong NNA inflows at CHF 7.1 billion year to date. In addition, loan penetration among key clients has increased, with transaction revenues progressing well over the quarter.

The division continues to make progress in recruiting relationship managers.

**Investment Banking and Capital Markets (IBCM)**
Year to date, Credit Suisse's M&A revenues more than doubled when measured against the same period in 2015. We are growing share with investment grade corporates that represent a greater share of industry fees. The performance in 1Q16, however, has been adversely affected by reduced issuance activity in primary markets. Industry issuance levels are lower in ECM by 58% year to date against the same period in 2015 and leverage finance 74% lower.

The business has contributed to a number of marquee transaction wins in APAC during the quarter, with close global collaboration between teams in IBCM. IBCM continues to make strategic senior hires with a strong pipeline for the remainder of 2016.

**Strategic Resolutions Unit (SRU)**
The SRU is proving to be an effective utility to manage run-off assets, separate from ongoing businesses. We are projecting costs to fall from CHF 2.3 billion in 2015 to CHF 1.6 billion in 2016 and CHF 1.0 billion in 2017. We anticipate RWA to reduce from CHF 62 billion in 2015 to CHF 45 billion by 2016 and CHF 37 billion by 2017. Excluding operational risk, this will represent a decrease of 60% over the period.

We will transfer USD 10-15 billion of RWA from Global Markets in connection with the actions we have announced today.

*.*.*

Our underlying wealth management businesses have delivered a strong performance year to date and continue to generate profitable growth for the Group. We are accelerating our efforts to reduce our fixed cost base and thus make our earnings more resilient. We are taking action to optimize our Global Markets activities by reducing its capital consumption and lowering the volatility of earnings going forward.

Credit Suisse will emerge from this set of actions significantly stronger in 2017. The Group will operate with a lower cost base. In addition, we will have a more focused and de-risked Global Markets division, and our APAC, IWM and Swiss UB divisions will be well positioned for profitable growth following investments in 2015 and 2016.

## Analyst call and media Q&A

**Speakers**
Tidjane Thiam, Chief Executive Officer of Credit Suisse Group
Timothy O'Hara, Chief Executive Officer of Global Markets
David Mathers, Chief Financial Officer of Credit Suisse Group

The presentation will be given in English.

**Analyst call**
Start: 09:00 CET / 8:00 GMT / 3:00 ET End: 10:25 CET / 9:25 GMT / 4:25 ET

**Telephone**
Switzerland: +41 44 580 40 01
Europe: +44 1452 565 510
US: +1 866 389 9771
Reference: "Credit Suisse Group Conference Call"; Meeting ID "71660156"

**Webcast**
A live broadcast is available.

We recommend that you connect to the webcast and dial in to the telephone conference approximately 10 minutes prior to the start of the presentation.

**Documentation**
The presentation slides will be available from around 06:30 CET / 05:30 GMT / 00:30 EST today.

## Information for media

Media representatives will be able to follow the analyst call via telephone or webcast.
They will then have the opportunity to participate in a separate media Q&A following the analyst call.
Please note: journalists will be asked to dial back in to the separate media call.

**Media Q&A**
Start: 10:30 CET / 09:30 GMT / 04:30 EST
End: 10:55 CET / 09:55 GMT / 04:55 EST

**Telephone**
Switzerland: +41 44 580 40 01
Europe: +44 1452 565 510
US: +1 866 389 9771
Reference: "Credit Suisse Group Conference Call"; Meeting ID "75423630"

## Playbacks:

**Playbacks for the analyst call**
A replay of the webcast will be available approximately two hours after the event.
A replay of the telephone conference will be available approximately two hours after the event. It can be accessed by dialing +41 44 580 34 56 (Switzerland), +44 1452 550 000 (Europe) and +1 866 247 4222 (US), conference ID: 71660156#

**Media Q&A**
A replay of the telephone conference will be available approximately two hours after the event. It can be accessed by dialing +41 44 580 34 56 (Switzerland), +44 1452 550 000 (Europe) and +1 866 247 4222 (US), conference ID: 75423630#

**Information for media**
Group Corporate Communications, Media Relations, Credit Suisse
Telephone: +41 844 33 88 44
e-mail: media.relations@credit-suisse.com

**Information for investors**
Group Investor Relations, Credit Suisse
Telephone: +41 44 333 71 49
e-mail: investor.relations@credit-suisse.com

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

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

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

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

Return on regulatory capital is calculated using income after tax and assumes a tax rate of 30% and capital allocated based on the worst of return on 10% of average risk-weighted assets and return on 3.5% of average leverage exposure.

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

Announced headcount figures include permanent full-time employees, contractors, consultants and other contingent workers.

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

The selected year to date 2016 financial information presented herein is preliminary and only reflects certain of our results for 2016 to date. This data has not been evaluated, reviewed or audited by our independent registered public accounting firm. Accordingly, the year to date 2016 financial information contained in this presentation is inherently subject to change. This data should not be taken as a forecast or prediction of our results for 1Q16 as a whole or any other future periods.

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

This press release does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of Credit Suisse Group AG or Credit Suisse AG (together, the "Company") in any jurisdiction or an inducement to enter into investment activity. No part of this document, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. None of the Company or any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with the document.

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This report contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;

- the potential effect on our future performance of certain contingencies; and
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Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

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- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;

- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
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- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings, and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk factors” in I – Information on the company in our Annual Report 2014.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

CREDIT SUISSE GROUP AG and CREDIT SUISSE AG
(Registrants)

By:/s/ Christian Schmid
Christian Schmid
Managing Director

/ S / Claude Jehle
Claude Jehle
Director

Date: March 23, 2016

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

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

## Form 20-F

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

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015.

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

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

Commission file number: 001-15244

## Credit Suisse Group AG
(Exact name of Registrant as specified in its charter)
**Canton of Zurich, Switzerland**
(Jurisdiction of incorporation or organization)
**Paradeplatz 8, CH 8001 Zurich, Switzerland**
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Chief Financial Officer
Paradeplatz 8, CH 8001 Zurich, Switzerland
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Telephone: +41 44 333 6607
Fax: +41 44 333 1790
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Commission file number: 001-33434

## Credit Suisse AG
(Exact name of Registrant as specified in its charter)
**Canton of Zurich, Switzerland**
(Jurisdiction of incorporation or organization)
**Paradeplatz 8, CH 8001 Zurich, Switzerland**
(Address of principal executive offices)

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Fax: +41 44 333 1790
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

| Title of each class of securities | Name of each exchange on which registered |
|---|---|
| **Credit Suisse Group AG** | |
| American Depositary Shares each representing one Share | New York Stock Exchange |
| Shares par value CHF 0.04* | New York Stock Exchange* |
| **Credit Suisse AG** | |
| Fixed to Floating Rate Tier 1 Capital Notes | New York Stock Exchange |
| Floating Rate Tier 1 Capital Notes | New York Stock Exchange |
| Credit Suisse X-Links Long/Short Equity ETNs due February 19, 2020 | NYSE Arca |
| Credit Suisse X-Links Cushing® MLP Infrastructure ETNs due April 20, 2020 | NYSE Arca |
| Credit Suisse X-Links Merger Arbitrage ETNs due October 6, 2020 | NYSE Arca |
| VelocityShares™ Daily Inverse VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocityShares™ Daily Inverse VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocityShares™ VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocityShares™ VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocityShares™ Daily 2x VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocityShares™ Daily 2x VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocityShares™ 3x Long Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031 | The Nasdaq Stock Market |
| VelocityShares™ 3x Long Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031 | The Nasdaq Stock Market |
| VelocityShares™ 3x Inverse Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031 | The Nasdaq Stock Market |
| VelocityShares™ 3x Inverse Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031 | The Nasdaq Stock Market |
| VelocityShares™ 3x Long Crude Oil ETN Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032 | NYSE Arca |
| VelocityShares™ 3x Long Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032 | NYSE Arca |
| VelocityShares™ 3x Inverse Crude Oil ETN Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032 | NYSE Arca |
| VelocityShares™ 3x Inverse Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032 | NYSE Arca |
| Credit Suisse X-Links Gold Shares Covered Call ETNs due February 2, 2033 | The Nasdaq Stock Market |
| Credit Suisse X-Links Silver Shares Covered Call ETNs due April 21, 2033 | The Nasdaq Stock Market |
| Credit Suisse X-Links Commodity Rotation ETNs due June 15, 2033 | NYSE Arca |
| Credit Suisse FI Enhanced Europe 50 Exchange Traded Notes (ETNs) due September 10, 2018 Linked to the STOXX Europe 50® USD (Gross Return) Index | NYSE Arca |
| Credit Suisse FI Enhanced Big Cap Growth Exchange Traded Notes (ETNs) due October 22, 2018 Linked to the Russell 1000® Growth Index Total Return | NYSE Arca |
| Credit Suisse FI Large Cap Growth Enhanced Exchange Traded Notes (ETNs) due June 13, 2019 Linked to the Russell 1000® Growth Index Total Return | NYSE Arca |
| Credit Suisse S&P MLP Index Exchange Traded Notes (ETNs) due December 4, 2034 Linked to the S&P MLP Index | NYSE Arca |
| Credit Suisse X-Links Multi-Asset High Income Exchange Traded Notes (ETNs) due September 28, 2035 | NYSE Arca |
| Credit Suisse X-Links WTI Crude Oil Index ETNs due February 8, 2036 | NYSE Arca |

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

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2015: 1,951,469,020 shares of Credit Suisse Group AG

Indicate by check mark if the Registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the Registrants are not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether Registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (paragraph 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filers ☒ Accelerated filers ☐ Non-accelerated filers ☐

Indicate by check mark which basis of accounting the Registrants have used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the Registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act)

Yes ☐ No ☒

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## Definitions

For the purposes of this Form 20-F and the attached Annual Report 2015, unless the context otherwise requires, the terms “Credit Suisse Group,” “Credit Suisse,” “the Group,” “we,” “us” and “our” mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the Swiss bank subsidiary of the Group, is substantially similar to the Group and, we use these terms to refer to both when the subject is the same or substantially similar. We use the term “the Bank” when we are referring only to Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

Abbreviations and selected terms are explained in the List of abbreviations and the Glossary in the back of the Annual Report 2015.

## Sources

Throughout this Form 20-F and the attached Annual Report 2015, we describe the position and ranking of our various businesses in certain industry and geographic markets. The sources for such descriptions come from a variety of conventional publications generally accepted as relevant business indicators by members of the financial services industry. These sources include: Standard & Poor’s, Dealogic, Institutional Investor, Lipper, Moody’s Investors Service and Fitch Ratings.

## Cautionary statement regarding forward-looking information

For Credit Suisse and the Bank, please see Cautionary statement regarding forward-looking information on the inside page of the back cover of the attached Annual Report 2015.

## Explanatory note

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

# Part I

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

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

## Item 2. Offer statistics and expected timetable.

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

## Item 3. Key information.

**A – Selected financial data.**
For Credit Suisse and the Bank, please see Appendix – Selected five-year information – Group on pages A-2 to A-3 and – Bank on page A-3 of the attached Annual Report 2015. In addition, please see IX – Additional information – Other information – Foreign currency translation rates on page 570 of the attached Annual Report 2015.

**B – Capitalization and indebtedness.**
Not required because this Form 20-F is filed as an annual report.

**C – Reasons for the offer and use of proceeds.**
Not required because this Form 20-F is filed as an annual report.

**D – Risk factors.**
For Credit Suisse and the Bank, please see I – Information on the company – Risk factors on pages 40 to 48 of the attached Annual Report 2015.

## Item 4. Information on the company.

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

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

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

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

**Information Required by Industry Guide 3.**
For Credit Suisse and the Bank, please see IX – Additional information – Statistical information on pages 548 to 564 of the attached Annual Report 2015. In addition, for both Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results – Credit risk review – Loans and irrevocable loan commitments on page 169 of the attached Annual Report 2015. For Credit Suisse, please see Appendix – Selected five-year information – Group on page A-2 of the attached Annual Report 2015.

**Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934**
As stated in our Form 20-F for the year ended December 31, 2014, in 2005 and earlier, Credit Suisse AG, through a business line operating in Switzerland, entered into export finance credit facilities involving Iranian parties, through bilateral contracts and as a member of lending syndicates. Credit Suisse AG loaned funds under these credit facilities for project finance activities in Iran that did not support or facilitate Iran's nuclear weapons proliferation efforts, its acquisition of other military items, or its support of terrorism. Our participation in these credit facilities was legal under applicable law. The Iranian parties involved in certain of these credit facilities entered into between 2001 and 2005 subsequently were designated Specially Designated Nationals or Blocked Persons pursuant to an Executive Order of the President of the United States, or fall within the US government's definition of the government of Iran (which includes government-controlled entities). These credit facilities are supported by a guarantee of the Iranian Ministry of Economic Affairs and Finance and export financing insurance provided by European export credit agencies.

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

During 2015, Credit Suisse AG processed a small number of de minimis payments related to the operation of Iranian diplomatic missions in Switzerland and to fees for ministerial government functions such as issuing passports and visas. Processing these payments is permitted under Swiss law and is performed with the consent of Swiss authorities, and Credit Suisse AG intends to continue processing such payments. Revenues and profits from these activities are not calculated but would be negligible.

Credit Suisse AG also continues to hold funds from two wire transfers to non-Iranian customers which were blocked pursuant to Swiss sanctions because Iranian government-owned entities have an interest in such transfers. Such funds are maintained in blocked accounts opened in accordance with Swiss sanctions requirements. Credit Suisse AG derives no revenues or profits from maintenance of these blocked accounts.

## Item 4A. Unresolved staff comments.

None.

## Item 5. Operating and financial review and prospects.

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

**B – Liquidity and capital resources.**
For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management and – Capital management on pages 106 to 135 of the attached Annual Report 2015. In addition, for Credit Suisse, please see Note 25 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group on pages 296 to 297 and Note 37 – Capital adequacy in V – Consolidated financial statements – Credit Suisse Group on page 372 of the attached Annual Report 2015 and, for the Bank, please see Note 24 – Long-term debt in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 449 to 450 and Note 36 – Capital adequacy in VII – Consolidated financial statements – Credit Suisse (Bank) on page 500 of the attached Annual Report 2015.

**C – Research and development, patents and licenses, etc.**
Not applicable.

**D – Trend information.**
For Credit Suisse and the Bank, please see Item 5.A of this Form 20-F. In addition, for Credit Suisse and the Bank, please see I – Information on the company – Divisions on pages 18 to 24 of the attached Annual Report 2015.

**E – Off-balance sheet arrangements.**
For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations on pages 179 to 182 of the attached Annual Report 2015. In addition, for Credit Suisse, please see Note 32 – Derivatives and hedging activities, Note 33 – Guarantees and commitments and Note 34 – Transfers of financial assets and variable interest entities in V – Consolidated financial statements – Credit Suisse Group on pages 325 to 344 of the attached Annual Report 2015 and, for the Bank, please see Note 31 – Derivatives and hedging activities, Note 32 – Guarantees and commitments, Note 33 – Transfers of financial assets and variable interest entities in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 469 to 481, and Note 13 – Derivative financial instruments in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 533 to 535 of the attached Annual Report 2015.

**F – Tabular disclosure of contractual obligations.**
For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations – Contractual obligations and other commercial commitments on page 182 of the attached Annual Report 2015.

## Item 6. Directors, senior management and employees.

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

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

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

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

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

## Item 7. Major shareholders and related party transactions.

**A – Major shareholders.**
For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Shareholders on pages 187 to 191 of the attached Annual Report 2015. In addition, for Credit Suisse, please see Note 3 – Business developments, significant shareholders and subsequent events in V – Consolidated financial statements – Credit Suisse Group on pages 270 to 271, Note 17 – Credit Suisse Group shares held by subsidiaries in VI – Parent company financial statements – Credit Suisse Group on page 410, Note 18 – Purchases and sale of treasury shares held by Credit Suisse Group in VI – Parent company financial statements – Credit Suisse Group on page 411 and Note 19 – Significant shareholders in VI – Parent company financial statements – Credit Suisse Group on page 411 of the attached Annual Report 2015. Credit Suisse's major shareholders do not have different voting rights. The Bank has 4,399,680,200 shares outstanding and is a wholly-owned subsidiary of Credit Suisse. See Note 22 – Significant shareholders and groups of shareholders in VIII – Parent company financial statements – Credit Suisse (Bank) on page 540 of the attached Annual Report 2015.

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

**C – Interests of experts and counsel.**
Not applicable because this Form 20-F is filed as an annual report.

## Item 8. Financial information.

**A – Consolidated statements and other financial information.**
Please see Item 18 of this Form 20-F.

For a description of Credit Suisse's legal and arbitration proceedings, please see Note 39 – Litigation in V – Consolidated financial statements – Credit Suisse Group on pages 375 to 382 of the attached Annual Report 2015. For a description of the Bank's legal and arbitration proceedings, please see Note 38 – Litigation in VII – Consolidated financial statements – Credit Suisse (Bank) on page 501 of the attached Annual Report 2015.

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

**B – Significant changes.**
None.

## Item 9. The offer and listing.

**A – Offer and listing details, C – Markets.**
For information regarding the price history of Credit Suisse Group shares and the stock exchanges and other regulated markets on which they are listed or traded, please see IX – Additional information – Other information – Listing details on page 569 of the attached Annual Report 2015. Shares of the Bank are not listed.

**B – Plan of distribution, D – Selling shareholders, E – Dilution, F – Expenses of the issue.**
Not required because this Form 20-F is filed as an annual report.

## Item 10. Additional information.

**A – Share capital.**
Not required because this Form 20-F is filed as an annual report.

**B – Memorandum and Articles of Association.**
For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Overview, – Shareholders and – Board of Directors on pages 184 to 196 of the attached Annual Report 2015. In addition, for Credit Suisse, please see IX – Additional information – Other information – Exchange controls and – American Depositary Shares on page 565 of the attached Annual Report 2015. Shares of the Bank are not listed.

**C – Material contracts.**
Neither Credit Suisse nor the Bank has any contract that would constitute a material contract for the two years immediately preceding this Form 20-F.

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

**E – Taxation.**
For Credit Suisse, please see IX – Additional information – Other information – Taxation on pages 565 to 568 of the attached Annual Report 2015. The Bank does not have any public shareholders.

**F – Dividends and paying agents.**
Not required because this Form 20-F is filed as an annual report.

**G – Statement by experts.**
Not required because this Form 20-F is filed as an annual report.

**H – Documents on display.**
Credit Suisse and the Bank file annual reports on Form 20-F and furnish or file quarterly and other reports on Form 6-K and other information with the SEC pursuant to the requirements of the Securities Exchange Act of 1934, as amended. These materials are available to the public over the Internet at the SEC's website at www.sec.gov and from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 (telephone 1-800-SEC-0330). SEC reports are also available for review at the offices of the New York Stock Exchange, 20 Broad Street, New York, NY 10005. Further, our reports on Form 20-F, Form 6-K and certain other materials are available on the Credit Suisse website at www.credit-suisse.com. Information contained on our website and apps are not incorporated by reference into this Form 20-F.

In addition, Credit Suisse's parent company financial statements, together with the notes thereto, are set forth on pages 399 to 416 of the attached Annual Report 2015 and incorporated by reference herein. The Bank's parent company financial statements, together with the notes thereto, are set forth on pages 507 to 546 of the attached Annual Report 2015 and incorporated by reference herein.

**I – Subsidiary information.**
Not applicable.

## Item 11. Quantitative and qualitative disclosures about market risk.

For Credit Suisse and the Bank, please see I – Information on the company – Risk factors on pages 40 to 48 and III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management on pages 136 to 178 of the attached Annual Report 2015.

## Item 12. Description of securities other than equity securities.

**A – Debt Securities, B – Warrants and Rights, C – Other Securities.**
Not required because this Form 20-F is filed as an annual report.

**D – American Depositary Shares.**
For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Additional information – Fees and charges for holders of ADS on page 216 of the attached Annual Report 2015. Shares of the Bank are not listed.

# Part II

## Item 13. Defaults, dividend arrearages and delinquencies.

None.

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

None.

## Item 15. Controls and procedures.

For Credit Suisse's management report and the related report from the Group's independent auditors, please see Controls and procedures and Report of the Independent Registered Public Accounting Firm in V – Consolidated financial statements – Credit Suisse Group on pages 397 to 398 of the attached Annual Report 2015. For the Bank's management report and the related report from the Bank's independent auditors, please see Controls and procedures and Report of the Independent Registered Public Accounting Firm in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 505 to 506 of the attached Annual Report 2015.

## Item 16A. Audit committee financial expert.

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

## Item 16B. Code of ethics.

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

### Item 16C. Principal accountant fees and services.

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

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

None.

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

For Credit Suisse, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Shareholders' Equity and Share Metrics – Share repurchases on page 134 of the attached Annual Report 2015. The Bank does not have any class of equity securities registered pursuant to Section 12 of the Exchange Act.

### Item 16F. Change in registrants' certifying accountant.

None.

### Item 16G. Corporate governance.

For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Additional Information – Complying with rules and regulations on page 215 of the attached Annual Report 2015. Shares of the Bank are not listed.

### Item 16H. Mine Safety Disclosure.

None.

## Part III

### Item 17. Financial statements.

Not applicable.

### Item 18. Financial statements.

Credit Suisse's consolidated financial statements, together with the notes thereto and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 249 to 398 of the attached Annual Report 2015 and incorporated by reference herein. The Bank's consolidated financial statements, together with the notes thereto (and any notes or portions thereof in the consolidated financial statements of Credit Suisse Group referred to therein) and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 417 to 506 of the attached Annual Report 2015 and incorporated by reference herein.

## Item 19. Exhibits.

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

1.2 Articles of association (Statuten) of Credit Suisse AG as of September 4, 2014 (incorporated by reference to Exhibit 1.2 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2014 filed on March 20, 2015).

1.3 Organizational Guidelines and Regulations of Credit Suisse Group AG and Credit Suisse AG as of June 19, 2014 (incorporated by reference to Exhibit 1.3 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2014 filed on March 20, 2015).

2.1 Pursuant to the requirement of this item, we agree to furnish to the SEC upon request a copy of any instrument defining the rights of holders of long-term debt of us or of our subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.

4.1 Agreement, dated February 13, 2011, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.1 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed March 12, 2013).

4.2 Agreement, dated February 13, 2011, among Qatar Holding LLC, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.2 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed March 12, 2013).

4.3 Amendment Agreement, dated July 18, 2012, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited, Credit Suisse Group AG and Credit Suisse AG, acting through its Guernsey Branch (incorporated by reference to Exhibit 99.3 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed March 12, 2013).

4.4 Purchase and Underwriting Agreement, dated as of July 17, 2012, between Credit Suisse AG and Competrol Establishment (incorporated by reference to Exhibit 4.4 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2012 filed on March 22, 2013).

4.5 Purchase and Underwriting Agreement, dated as of July 18, 2012, between Credit Suisse AG and Qatar Holding LLC (incorporated by reference to Exhibit 4.5 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2012 filed on March 22, 2013).

4.6 Agreement, dated October 10, 2013, among Qatar Holding LLC, Credit Suisse Group (Guernsey) II Limited, Credit Suisse Group AG and Credit Suisse AG, acting through its Guernsey Branch (incorporated by reference to Exhibit 4.6 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2013 filed on April 3, 2014).

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

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

9.1 Consent of KPMG AG, Zurich with respect to Credit Suisse Group AG consolidated financial statements.

9.2 Consent of KPMG AG, Zurich with respect to the Credit Suisse AG consolidated financial statements.

12.1 Rule 13a-14(a) certification of the Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

12.2 Rule 13a-14(a) certification of the Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

13.1 Certifications pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Credit Suisse Group AG and Credit Suisse AG.

101.1 Interactive Data Files (XBRL-Related Documents).

## SIGNATURES

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

**CREDIT SUISSE GROUP AG**
(Registrant)
Date: March 24, 2016

/s/ Tidjane Thiam
Name: Tidjane Thiam
Title: Chief Executive Officer

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

**CREDIT SUISSE AG**
(Registrant)
Date: March 24, 2016

/s/ Tidjane Thiam
Name: Tidjane Thiam
Title: Chief Executive Officer

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

## Exhibit 9.1

**Consent of the Independent Registered Public Accounting Firm to the Board of Directors of Credit Suisse Group AG**

We consent to the incorporation by reference in the registration statement (No. 333-202913) on Form F-3 and in the registration statements (No. 333-101259 and No. 333-208152) on Form S-8 of Credit Suisse Group AG of our reports dated March 24, 2016 with respect to the consolidated balance sheets of Credit Suisse Group AG and its subsidiaries (the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes for each of the years in the three-year period ended December 31, 2015, and the effectiveness of internal control over financial reporting as of December 31, 2015, which reports appear in the December 31, 2015 annual report on Form 20-F of the Group.

KPMG AG

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

/s/ Anthony Anzevino
Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
March 24, 2016

## Exhibit 9.2

**Consent of the Independent Registered Public Accounting Firm to the Board of Directors of Credit Suisse AG**

We consent to the incorporation by reference in the registration statement (No. 333-202913) on Form F-3 of Credit Suisse AG of our reports dated March 24, 2016 with respect to the consolidated balance sheets of Credit Suisse AG and its subsidiaries (the "Bank") as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes for each of the years in the three-year period ended December 31, 2015, and the effectiveness of internal control over financial reporting as of December 31, 2015, which reports appear in the December 31, 2015 annual report on Form 20-F of the Bank.

KPMG AG

| | |
|---|---|
| /s/ Simon Ryder | /s/ Anthony Anzevino |
| Simon Ryder | Anthony Anzevino |
| *Licensed Audit Expert* | *Global Lead Partner* |
| Auditor in Charge | |

Zurich, Switzerland
March 24, 2016

**Exhibit 12.1**

I, Tidjane Thiam, certify that:

1. I have reviewed this annual report on Form 20-F of Credit Suisse Group AG and Credit Suisse AG;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;

4. The registrants' other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is likely to materially affect, the registrants' internal control over financial reporting; and

5. The registrants' other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of each of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants' ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Dated: March 24, 2016

/s/ Tidjane Thiam
Name: Tidjane Thiam
Title: Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG

**Exhibit 12.2**

I, David R. Mathers, certify that:

1. I have reviewed this annual report on Form 20-F of Credit Suisse Group AG and Credit Suisse AG;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;

4. The registrants' other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is likely to materially affect, the registrants' internal control over financial reporting; and

5. The registrants' other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of each of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants' ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Dated: March 24, 2016

/s/ David R. Mathers
Name: David R. Mathers
Title: Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG

## Exhibit 13.1

**Annual Certification**
**Pursuant to Section 906 of the Sarbanes – Oxley Act of 2002**

Pursuant to subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code, each of the undersigned officers of Credit Suisse Group AG and Credit Suisse AG, incorporated in Switzerland (the "Companies"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2015 of the Companies fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Companies for such period presented.

Dated: March 24, 2016

/s/ Tidjane Thiam
Name: Tidjane Thiam
Title: Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG

Dated: March 24, 2016

/s/ David R. Mathers
Name: David R. Mathers
Title: Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG

CREDIT SUISSE

# Annual Report 2015

Credit Suisse Group AG & Credit Suisse AG



# Key metrics

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

See relevant tables for additional information on these metrics.

# Credit Suisse Annual Reporting Suite

## Annual Report

The Annual Report is a detailed presentation of Credit Suisse Group's company structure, corporate governance, compensation practices and treasury and risk management framework, and it includes a review of Credit Suisse Group's operating and financial results accompanied by its annual financial statements.

credit-suisse.com/ar



## Corporate Responsibility Report

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

**credit-suisse.com/crr**



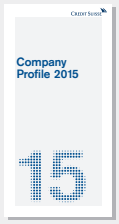




## Company Profile

The Company Profile contains a summary of Credit Suisse Group's new strategic direction and organization structure.

**credit-suisse.com/cp**



# Annual Report 2015

Credit Suisse Group AG & Credit Suisse AG

# Credit Suisse Apps
## Available in the App Store and Google Play Store




**Investor Relations and Media**
allows investors, analysts, media and other interested parties to remain up to date with relevant online and offline financial information on Credit Suisse.




**Facts & Figures**
provides an overview of the activities performed by Credit Suisse in Switzerland and the bank's multi-faceted commitment to the Swiss financial center and economy.




**Private Banking Switzerland**
places all the advantages at your fingertips – anytime, anywhere – on tablets and smartphones. Use your mobile device to scan your payment slips with one click and pay bills, catch up on financial information and much more. Credit Suisse gives top priority to security in Online & Mobile Banking. SecureSign provides a convenient login method for signing in to your Online and Mobile Banking service.

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

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# INTERVIEW WITH THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

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

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

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

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

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

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

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

**Thiam:** We have made a good start in implementing the strategy we presented in October 2015. Before year-end, the important milestone of the capital raise was completed. Our capital ratios have been strengthened, allowing us to start implementing important restructuring measures, which consume capital. The new structure, which impacted all of our almost 50,000 staff, was fully in place by end-2015. In parallel, we have been strengthening the Group's control functions and making substantial investments in our risk management and control capabilities. The process of right-sizing our investment banking activities is well under way and have further been accelerated in Global Markets, reflecting the persistently challenging market environment. We have already exited many activities. Our look-through CET1 capital position as of end-2015 is the strongest it has ever been and we are implementing the announced changes with determination. Once completed, this comprehensive change program will position us well to deliver profitable growth and returns for our shareholders in 2018 and beyond.

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

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

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

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



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

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

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

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

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

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

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

# MESSAGE FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

**Dear shareholders, clients and colleagues**

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

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

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

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

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

### Economic and political trends that shaped the market

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

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

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

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

### Regulatory Issues

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

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

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

### 2015 Results

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

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

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

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

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

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

### Changes to the Executive Board

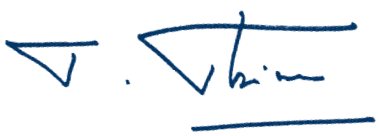
The refocusing of the Group and its structural reorganization necessitated changes to the leadership structure, resulting in a new composition of the executive team, which was further enriched by six new members in order to drive forward the new business units and the central functions: Pierre-Olivier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

### Positioned for Growth

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

Best regards





Urs Rohner
Chairman of the
Board of Directors

Tidjane Thiam
Chief Executive Officer

March 2016

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

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

## Reconciliation of adjusted results

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

## Core Results

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

## Swiss Universal Bank

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

## International Wealth Management

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

## International Wealth Management – Private Banking

| | | in |
|---|---|---|
| CHF million | **2015** | 2014 |
| **Income before taxes reported** | **526** | **795** |
| Gains on business sales | (11) | (77) |
| Adjustments to net revenues | (11) | (77) |
| Restructuring expenses | 30 | – |
| Major litigation provisions | 268 | 51 |
| Adjustments to total operating expenses | 298 | 51 |
| Total adjustments | 287 | (26) |
| **Adjusted income before taxes** | **813** | **769** |

## Asia Pacific

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

## Global Markets

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

## Investment Banking & Capital Markets

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

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

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

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

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

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

This document contains forward-looking statements that involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward-looking statements. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements, including those we identify in "Risk Factors" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2015, and in other public filings and press releases. We do not intend to update these forward-looking statements except as may be required by applicable law.

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

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# Credit Suisse at a glance

## Credit Suisse

Our strategy builds on Credit Suisse's core strengths: its position as a leading global wealth manager, its specialist investment banking capabilities and its strong presence in our home market of Switzerland. We take a balanced approach to capture the wealth management opportunities in emerging markets, the largest of which is in the Asia Pacific region, while also serving key developed markets with an emphasis on Switzerland. Founded in 1856, we today have a global reach with operations in over 50 countries and 48,200 employees from over 150 different nations. Our broad footprint helps us to generate a geographically balanced stream of revenues and net new assets and allows us to capture growth opportunities around the world. We serve our clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specializing in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with our strategic direction. Our business divisions cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

## Swiss Universal Bank

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

## International Wealth Management

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

## Asia Pacific

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

## Global Markets

The Global Markets division offers a broad range of equities and fixed income products and services and focuses on client-driven businesses and on supporting Credit Suisse's private banking businesses and their clients. Our suite of products and services includes global securities sales, trading and execution services, prime brokerage, underwriting and comprehensive investment research. Our clients include financial institutions, corporations, governments, institutional investors – including pension funds and hedge funds – and private individuals around the world.

## Investment Banking & Capital Markets

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

## Strategic Resolution Unit

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

# Strategy

## A NEW STRATEGY TO REPOSITION CREDIT SUISSE FOR THE FUTURE

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

### Credit Suisse strategy

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

We are focused on growing in Asia Pacific and other emerging markets in order to capture the significant wealth management prospects in those markets. We expect that emerging markets will account for approximately 60% of the growth in global wealth in the coming years, with first generation entrepreneurs driving much of the wealth opportunity. We believe that positioning ourselves as the "Bank for Entrepreneurs" by leveraging our strengths in wealth management and investment banking will provide us with key competitive advantages to succeed in these markets as we provide clients with a range of services to protect and grow their wealth.

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

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

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

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

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

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

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

**Organizational structure and management changes**

To support the execution of the new strategy, we have simplified our organization and created three new, regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific serving Western Europe, Central and Eastern Europe, Latin America and Africa. These regional businesses are supported by two other divisions specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. Our new organization is designed to drive stronger client focus and provide better alignment with regulatory requirements. We believe that decentralization will increase the speed of decision making, accountability and cost competiveness across the Group.

Our operating businesses are supported by focused corporate functions at the Group Executive Board level. Our newly established position of Chief Operating Officer focuses on driving the transformation of Credit Suisse and oversees, among other things, global operations, information technology and our centers of excellence. To further strengthen our focus on compliance and regulatory matters, we have created the position of Chief Compliance and Regulatory Affairs Officer that focuses on monitoring bank activities and coordinating regulatory interactions. The Chief Financial Officer manages the Group's capital, funding, liquidity and expenses to ensure we are well capitalized and have a strong balance sheet. The Chief Risk Officer governs the Group's risk management framework and provides independent risk oversight. Our General Counsel provides legal, policy and regulatory advice, especially in the context of potential or actual legal matters and investigations. It drives strategic legal risk management and manages our relationship with policymakers and other political stakeholders. Our Head of Human Resources, Communications & Branding is responsible for attracting, retaining and developing our employees, driving our global communications strategy and developing and strengthening the Credit Suisse brand.

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

The composition of the Executive Board is as follows:

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

**Financial objectives**

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

- increase income before taxes for Asia Pacific to CHF 2.1 billion in 2018;
- increase income before taxes in International Wealth Management to CHF 2.1 billion in 2018;
- grow income before taxes for the Swiss Universal Bank to CHF 2.3 billion in 2018;
- reduce our absolute cost base by CHF 2.0 billion to between approximately CHF 18.5–19.0 billion by year-end 2018. These cost savings are expected to be achieved through CHF 3.5 billion in gross cost savings by year-end 2018 through a combination of optimizations to make our business more efficient. In parallel to these cost reductions, CHF 1.5 billion will be invested to support growth initiatives in Asia Pacific, Swiss Universal Bank and International Wealth Management;
- achieve a look-through CET1 ratio of approximately 13% and a look-through CET1 leverage ratio of above 3.5% by year-end 2018 before future regulatory recalibration;
- maintain Global Markets risk-weighted assets stable at approximately USD 83–85 billion between year-end 2015 and year-end 2018;
- reduce Global Markets leverage exposure from approximately USD 380 billion at year-end 2015 to approximately USD 370 billion by year-end 2018;
- wind down the Strategic Resolution Unit risk-weighted assets (excluding operational risk) to CHF 12 billion by year-end 2018 and reduce leverage exposure to CHF 40 billion by year-end 2018 to support growth initiatives, mainly in Asia Pacific, Swiss Universal Bank and International Wealth Management;
- measure our performance by generating approximately CHF 23-25 billion of operating free capital by 2020; and

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

**Acceleration of the announced strategy**

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

- increasing our gross savings target of CHF 3.5 billion by year-end 2018 to CHF 4.3 billion. The net cost savings target in the same time period has increased from CHF 2.0 billion to at least CHF 3.0 billion. These measures are expected to lead to an absolute cost base of CHF 18.0 billion or less by year-end 2018;
- setting a gross cost savings target for the Group of CHF 1.7 billion by year-end 2016;
- reducing the risk-weighted assets target in the Global Markets division from approximately USD 83 – 85 billion to USD 60 billion and the leverage exposure target from approximately USD 380 billion to USD 290 billion by year-end 2016;
- exiting the Distressed Credit, European Securitized Products trading and Long-Term Illiquid Financing businesses in Global Markets;
- the assets from businesses we are exiting and other business reductions in Global Markets will predominantly be transferred to the Strategic Resolution Unit over the course of 2016 and we are consolidating foreign exchange trading into our trading operations within Swiss Universal Bank; and
- disposals of real estate and non-core businesses and other actions to increase CET1 capital by at least CHF 1 billion during 2016.

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

## PRODUCTS AND SERVICES

**Private banking offerings and wealth management solutions**

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

### Structured advisory process

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

### Client segment specific value propositions

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

### Comprehensive investment services

We offer a comprehensive range of investment advice and discretionary asset management services based on the outcome of our structured advisory process and the guidelines of the Investment Solutions & Products Group and the Credit Suisse Investment Committee. We base our advice and services on the analysis and recommendations of our research and investment strategy teams, which provide a wide range of investment expertise, including macroeconomic, equity, bond, commodity and foreign-exchange analysis, as well as research on the economy. Our investment advice covers a range of services from portfolio consulting to advising on individual investments. We offer our clients portfolio and risk management solutions, including managed investment products. These are products actively managed and structured by our specialists or third parties, providing private investors with access to investment opportunities that otherwise would not be available to them. For clients with more complex requirements, we offer investment portfolio structuring and the implementation of individual strategies, including a wide range of structured products and alternative investments. Discretionary asset management services are available to clients who wish to delegate the responsibility for

investment decisions to Credit Suisse. We are an industry leader in alternative investments and, in close collaboration with our asset management business and investment banking businesses, we offer innovative products with limited correlation to equities and bonds, such as hedge funds, private equity, commodities and real estate investments.

### Multi-shore platform

With global operations comprising 14 international booking centers in addition to our operations in Switzerland, we are able to offer our clients booking capabilities locally as well as through our international hubs. Our multi-shore offering is designed to serve clients who are focused on geographical risk diversification, have multiple domiciles, seek access to global execution services or are interested in a wider range of products than is available to them locally.

## Corporate client and institutional client offerings

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

## Asset management offerings

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

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

## Investment banking financial solutions

### Equity underwriting

Equity capital markets originates, syndicates and underwrites equity in IPOs, common and convertible stock issues, acquisition financing and other equity issues.

### Debt underwriting

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

### Advisory services

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

### Fixed income

- **Credit products** offers a full range of fixed income products and instruments to clients across investment grade and high yield credits, ranging from standard debt issues and credit research to fund-linked products, derivatives instruments and structured solutions that address specific client needs. We are a leading dealer in flow trading of single-name credit default swap (CDS) on individual credits, credit-linked notes and index swaps. Investment grade trades domestic corporate and sovereign debt, non-convertible preferred stock and short-term securities such as floating rate notes and commercial paper. Leveraged finance provides capital raising and advisory services and core leveraged credit products such as bank loans, bridge loans and high yield debt for non-investment grade corporate and financial sponsor-backed companies.
- **Securitized products** trades, securitizes, syndicates, underwrites and provides research for various forms of securities, primarily residential mortgage-backed securities (RMBS) and asset-backed securities (ABS). Both RMBS and ABS are based on underlying pools of assets, and include both government- and agency-backed, as well as private label loans. Core to the securitized products franchise is its asset financing business, which focuses on providing asset and portfolio advisory services, and financing solutions to clients across asset classes.

- **Emerging markets** offers a full range of fixed income products and instruments, including sovereign and corporate securities, local currency derivative instruments and tailored emerging market investment products. The business is organized around financing, structured credit, trading, capital markets and strategic transactions, with a focus on supporting emerging markets through its onshore and offshore service models.
- **Global macro products** includes our restructured rates and foreign exchange businesses. Our rates business includes the full spectrum of cash and derivatives, including select non-cleared and structured solutions. Foreign exchange provides market making in products such as spot and options for currencies in developed markets. The foreign exchange product suite also includes proprietary market leading technology to provide clients with electronic trading solutions.

### Equity

- **Cash equities** provides a comprehensive suite of offerings: (i) research, analytics and other content-driven products and services, to meet the needs of clients including mutual funds, investment advisors, banks, pension funds, hedge funds, insurance companies and other global financial institutions; (ii) sales trading, responsible for managing the order flow between our clients and the marketplace and providing clients with trading ideas and capital commitments, identifying trends and delivering the most effective execution; (iii) trading, which executes client orders and makes markets in listed and over-the-counter (OTC) cash securities, exchange-traded funds and programs, providing liquidity to the market through both capital commitments and risk management; and (iv) Credit Suisse's advanced execution services (AES), a sophisticated suite of algorithmic trading strategies, tools and analytics to facilitate global equity trading. By employing algorithms to execute client orders and limit volatility, AES helps institutions and hedge funds reduce market impact. AES is a recognized leader in its field and provides access to hundreds of trading destinations in over 40 countries and six continents.
- **Equity derivatives** provides a full range of equity-related products, investment options and financing solutions, as well as sophisticated hedging and risk management expertise and comprehensive execution capabilities to financial institutions, hedge funds, asset managers and corporations. Convertibles involves both secondary trading and market making and the trading of credit default and asset swaps and the distribution of market information and research. The global convertibles business is a leading originator of new issues throughout the world.
- **Prime services** offers hedge funds and institutional clients execution, financing, clearing and reporting capabilities across various asset classes through prime brokerage, synthetic financing and listed and OTC derivatives. In addition, prime services is a leading provider of advisory services across capital services and consulting for both start-ups and existing clients.
- **Systematic market-making group** operates a range of liquidity-providing and market-making strategies in liquid markets.

### Other

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

### Research and HOLT

Our equity and fixed income businesses are enhanced by the research and HOLT functions. HOLT offers a framework for objectively assessing the performance of 20,000 companies in over 60 countries, with interactive tools and consulting services that clients use to make informed investment decisions.

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

# Divisions

## SWISS UNIVERSAL BANK

### Business profile

Within Swiss Universal Bank, we offer comprehensive advice and a broad range of financial solutions to private, corporate and institutional clients primarily domiciled in Switzerland. The division comprises the Private Banking and Corporate & Institutional Banking businesses.

Our **Private Banking** business has a leading client franchise in Switzerland, serving over 1.6 million clients, including UHNWI, high-net-worth individual (HNWI), affluent and retail clients. Our service offering is based on our structured advisory process, distinct client segment specific value propositions and coverage models as well as access to a broad range of comprehensive products and services. We also have a specialized consumer finance business branded BANK-now. In addition, we offer best-in-class service, platform and technology support to external asset managers in Switzerland. Our Swiss network includes 1,570 relationship managers in 184 branches, including 33 branches of the bank's affiliate, Neue Aargauer Bank.

Our **Corporate & Institutional Banking** business offers expert advice and high-quality services to a wide range of clients, serving the needs of over 100,000 corporations and institutions, including large corporate clients, small and medium-size enterprises, institutional clients, financial institutions and commodity traders. This business also includes our Swiss investment banking business serving corporate clients and financial institutions on financing transactions in the debt and equity capital markets and advising on M&A transactions. Our business includes 490 relationship managers who serve our clients out of 48 locations.

### Key data – Swiss Universal Bank

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

### Business environment

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

The corporate and institutional banking business continues to offer attractive opportunities, supported by the expected steady growth of the Swiss economy. In a continued low interest rate environment, key trends in equity capital markets are expected to include an increase in IPOs, acquisition-related financing and monetization of equity holdings. We believe that the environment in the Swiss M&A market should remain supportive through 2016. We are a leading provider of banking services to corporate and institutional clients in Switzerland, utilizing our market leading investment banking capabilities in Switzerland for local execution while leveraging Investment Banking & Capital Markets' international reach and Global Markets' placing power.

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

### Business strategy

Switzerland, our home market, has always been and is expected to remain a key pillar of success for our bank and is core to our overall strategy. Within Swiss Universal Bank, we combine all the strengths and critical mass of our retail, wealth management, corporate, institutional and investment banking activities. The division is well positioned to meet the needs of our clients, both individual and corporate, with a broad suite of customized products and services. We announced in October 2015 plans to conduct a partial IPO of up to 30% of Credit Suisse (Schweiz) AG by end of 2017, underscoring its unique identity and value within Switzerland and within the Group. Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals and would be intended to generate/raise additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG.

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

#### Focus to simplify

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

### Empower to grow

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

### Drive efficiency agenda

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

### Invest in brand

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

### Awards and market share momentum

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

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

## INTERNATIONAL WEALTH MANAGEMENT

### Business profile

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

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

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

### Key data – International Wealth Management

| | | | in / end of |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **Key data** | | | |
| Net revenues (CHF million) | 4,394 | 4,751 | 4,929 |
| Income before taxes (CHF million) | 709 | 1,212 | 1,217 |
| Assets under management (CHF billion) | | | |
| – Private Banking | 289.6 | 323.7 | 297.8 |
| – Asset Management | 321.3 | 305.2 | 270.1 |
| Number of employees | 9,100 | 8,700 | 8,700 |

### Business environment

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

markets continue to be of crucial importance, holding around 20% of the world's wealth.

The asset management industry continued to experience growth in 2015, despite volatility and weaker performance of financial markets worldwide. Developed markets rebounded as the major drivers of net inflows, while momentum slowed in some emerging markets. Within the asset management industry, investors continued to shift from active traditional strategies to passive, multi-asset class and alternative investment strategies. The alternative investment industry had a continued increase in assets under management in 2015. Within alternative investments, hedge funds recorded inflows for 2015, despite concerns over performance due to volatility, especially in emerging markets. The largest hedge funds continued to attract the majority of new assets. Private equity funds distributed a significant amount of capital and continued to raise additional funds.

Over the past years, European markets have been under significant structural pressure from regulatory changes and tax regularization, a trend that continued into 2015.

Profitability has come under pressure in a prolonged environment of low interest rates and reduced fee-based margins, the need to upgrade information technology platforms, cost of compliance to new regulatory demands and adjustments to the product offerings in response to changes in client behaviors.

**Business strategy**

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

*Deliver client value*

We are establishing integrated coverage teams across our private banking, investment banking and asset management businesses in order to provide clients with holistic coverage and access to the bank's wide range of capabilities. We plan to leverage our investment and research capabilities, deploying solutions and products tailored to our clients' needs in key markets. We also intend to address our clients' sophisticated financing needs by investing in additional resources and broadening our lending activities.

*Enhance client proximity*

Our focus on enhancing client proximity intends to capture market share by increasing the number of our relationship managers, targeting a net increase of approximately 300 relationship managers across our regions by the end of 2018. In addition, we are strengthening and adapting our footprint with technology investments at our key hubs, establishing new advisory offices and transforming unprofitable locations towards a sustainable business model. For lower wealth band HNWI, we plan to digitize our service model, combining an ease of use service delivery with our distinctive international investment offering, supported by digitally enabled client to relationship manager interactions with a focus on furnishing comprehensive investment advice.

*Increase client time*

We are making significant investments in processes and organizational changes to allow faster decision-making and shorter time-to-market of our solutions. We are also increasing the local market management's accountability to empower decision making. In addition, we plan to make investments in information technology and automation to reduce our relationship managers' administrative tasks so that they can spend more time with their clients.

## ASIA PACIFIC

**Business profile**

Within the Asia Pacific division we offer a wide range of financial products and services, focusing on our UHNWI, HNWI, entrepreneur, corporate and institutional clients. We deliver integrated client coverage to provide connectivity and access to broader financial markets, differentiated product offerings, and tailored financing solutions.

Our **Private Banking** business combines its global reach through other divisions with a structured advisory process, offering a broad range of comprehensive and bespoke solutions and services that are tailored to our clients' complex needs. We offer our clients digital private banking access and serve them through 590 relationship managers in 13 locations across 7 countries.

Our **Investment Banking** business supports our key clients by advising on all aspects of M&A transactions, corporate sales and restructurings, divestitures and takeover defense strategies and provides equity and debt underwriting capabilities for entrepreneur, corporate and institutional clients. In addition, our investment banking business includes equity and fixed income sales and trading services, and provides access to a range of debt and equity securities, derivative products, and financing opportunities across the capital spectrum for corporate, sovereign and institutional clients.

### Key data – Asia Pacific

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

**Business environment**

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

rate increase, which impacted yield products, local currencies and primary issuance levels and activity.

Financial markets in Asia Pacific continue to undergo structural change. Industry initiatives, such as the Shanghai – Hong Kong Stock Connect, provided increasing investor access to the onshore market and will continue to drive investor flows. The inclusion of China's equity markets into worldwide indices is more probable as such equity markets become increasingly liberalized.

Wealth management in Asia Pacific continues to offer positive growth prospects compared to other regions. Increased entrepreneurial activity and a faster pace of economic growth and innovation has fueled development, and wealth creation in emerging markets is growing at a higher rate than more mature markets, with approximately 57% of new wealth in the region being driven by first generation entrepreneurs.

Regulatory requirements for investment advisory services in Asia Pacific also continued to increase, including in the areas of suitability and appropriateness of advice and anti-money laundering.

**Business strategy**

Through a leading franchise in Asia Pacific, we pursue a client-centric, capital efficient business model, allocating resources to those parts of the business that are essential to increasing our activities with existing and new clients. Our strategy to be recognized as the "Trusted Entrepreneurs Bank of Asia Pacific" is rooted in multi-generational client relationships with some of the most significant business owners in the region. Our long-term view on ensuring consistency of coverage and business diversity supports revenue stability and attractive returns. Together with our capacity to withstand fluctuating market conditions, this has been critical to our ability to attract the right talent to our platform and to foster a partnership culture with a long-term ambition. Looking ahead, our strategic focus is on growing revenues and enhancing the delivery of our integrated model to deliver strong returns to our shareholders.

As such, we continue to focus our attention and resources on the following business areas and opportunities:

Focus on Ultra-High-Net-Worth activity

Asia Pacific has a highly dynamic client base. Our integrated platform, which spans industries and geographies, positions us to address the wealth and corporate needs of the growing base of UHNWI and entrepreneurs in the region. We have been recognized as a top private bank in Asia Pacific, and as a leader in advisory and capital markets activity. Our business platform connects wealthy individuals and institutional investors where, for example, investment banking mandates provide a source of attractive investment opportunities for UHNWI clients. We expect favorable long-term trends in wealth creation and the opening up of financial markets which offer associated growth opportunities to accelerate our pace of client acquisition and become an increasingly important provider of capital and liquidity solutions to key clients.

Deliver client critical equities and financing capabilities

We benefit from having leading positions in equities and certain fixed income markets, such as Asian rates trading. We have a top-ranked pan-Asia equities franchise and strong structured financing capabilities. Our competitiveness is supported by our ability to structure complex solutions across wealth and business interests and offer new products to our key clients. Continuous product innovation and a disciplined approach to risk help to form a baseline of profitability through market cycles. We continue to see opportunities to deliver new investment products and services from our investment banking platform. For example, we deliver institutionalized services to the growing family office client segment from our prime brokerage platform. We also expect financing growth to play a positive role in supporting the long-term economic development of Asian businesses and economies. Our financing business benefits from our exposure to UHNWI clients, who generally are high quality borrowers, meet strong collateral standards and are owners of large businesses. One of our financing businesses is our market-leading Emerging Markets Finance Group which services a range of borrowers with structured finance solutions. We expect to prudently build out quality credit and equity strategic financing to our clients, while remaining mindful of market volatility.

Grow broad base of business profitability

We plan to continue to invest and grow our existing business franchises where we have deep client relationships and strong, profitable market positions. Having a diversified business mix of clients, countries and product areas generally provides for a stable performance, especially in a region as dynamic as Asia Pacific, with its variety of economic characteristics. We believe that there is opportunity to grow our recurring fee-income base across the region, leveraging our integrated, advisory-led model. As a number of our peers reassess their Asia Pacific strategy and footprint, and as competition remains fierce, we intend to continue to adjust and innovate our business model and approach for new market entry or business acquisition to drive incremental growth. We believe that it is important to have a targeted client and coverage strategy coupled with comprehensive client-centric capabilities to effectively compete in Asia Pacific.

**Significant transactions**

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

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

- In China, we arranged Tsinghua Unigroup Company's debut international bond offering (construction and engineering), in which we were sole global coordinator, book runner and lead manager. The transaction was the largest unrated US dollar bond offering issued by a Chinese state-owned enterprise issuer. We also arranged financings for clients including China National Offshore Oil Corporation (oil and gas exploration and development), China Huarong Asset Management (financial services) and Tencent Holdings (media and internet), and we also advised on a private equity placement for Alibaba Pictures Group (film and media).
- In Korea, we advised on Samsung C&T Corporation's merger with Cheil Industries (textiles). In Australia and New Zealand, we advised GE Capital (financial services) on the sale of its consumer finance business. In Pakistan, we were involved in the government's sale of shares in Habib Bank.

### Awards and market share momentum

We were highly placed in a number of key industry awards in 2015:

- Best Private Bank – Asia for 2015 – *Asian Private Banker*
- Best Provider of Asia Equity-linked Flow Structured Products for 2015 – *Asian Private Banker*
- Best Equity Derivatives House – Asia for the second consecutive year from *The Asset*
- Best Regional Technology, Media and Telecommunications House for the second consecutive year from *The Asset*
- Ranked #1 in in Overall Penetration in Asian Equity Trading and Equity Research, Sales and Corporate Access according to the *2015 Greenwich Survey*

## GLOBAL MARKETS

### Business profile

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

### Key data – Global Markets

| | | | in / end of |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **Key data** | | | |
| Net revenues (CHF million) | 7,391 | 8,613 | 8,974 |
| Income/(loss) before taxes (CHF million) | (1,944) | 2,657 | 3,012 |
| Number of employees | 13,000 | 11,900 | 12,100 |

### Business environment

Operating conditions in 2015 were challenging, particularly for our fixed income businesses, in light of high levels of market volatility, lower client activity, continued uncertainty over interest rates in the major economies, a collapse in energy prices and a subdued global investment climate, particularly in the second half of the year. Uncertainty in the interest rate and credit environment resulted in significantly reduced issuance levels across many asset classes, particularly high yield. In addition, given an evolving regulatory environment, we announced plans to right-size fixed income businesses such as global macro products, with the aim of delivering higher profitability, lower capital usage and lower volatility in earnings across market cycles. Market conditions were more favorable for equity sales and trading businesses as higher volatility resulted in higher trading volumes and strong client activity. Given quantitative easing in many markets and modest increases in gross domestic product in developed economies, we believe equity markets should grow in the medium to long-term, thus benefitting our market-leading franchises.

### Business strategy

The Global Markets division combines our equities and fixed income sales and trading platforms in the Americas and EMEA. The division will be focused on three primary strategic goals: prioritizing businesses with connectivity to our private banking clients, optimizing capital usage and increasing profitability by ensuring businesses deliver returns in excess of their cost of capital. We believe that this strategy will enable us to reduce earnings volatility, inherent in our results historically, and deliver consistent pre-tax income from our leading franchises across market cycles.

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

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

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

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

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

## INVESTMENT BANKING & CAPITAL MARKETS

### Business profile

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

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

### Key data – Investment Banking & Capital Markets

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

### Business environment

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

Despite the slowdown in capital markets activity, M&A remained robust, supported by low financing costs and limited alternatives to drive earnings growth. Large deals were announced across many active sectors as companies sought consolidation and strategic acquisitions, particularly in healthcare, technology, insurance, aerospace & defense, and consumer products. Industry-wide announced M&A activity increased significantly compared to 2014, with volumes outpacing the previous record set in 2007. Credit Suisse advised on USD 795 billion of announced M&A transaction volume in 2015, up from USD 385 billion in 2014.

### Business strategy

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

In 2015, we observed market activity begin to pivot away from leveraged finance and towards advisory and equity underwriting as the credit cycle turned. Our goal is to rebalance our product mix to be consistent with this shift in the market by increasing our focus on M&A advisory and equity underwriting with our clients. We expect that refocusing our efforts on these solutions will not only allow us to better support our clients' strategic goals, but will also contribute to a revenue mix that is more diversified and less volatile through the market cycle.

We have tailored our client strategy while optimizing our headcount and capital resources in order to deliver efficient and effective client coverage. Our strategic objective is to expand our coverage in high growth areas where our franchise is well-positioned. We expect

to do this with targeted plans for investment grade corporates, non-investment grade corporates and financial sponsors. In addition, to support our clients looking for opportunities in developing economies, we have launched an emerging markets team that will integrate this geographical coverage across all industries and products.

Lastly, as part of the effort to further differentiate and diversify our offerings, we announced a new dedicated coverage group within Investment Banking & Capital Markets to cover UHNWI in the US. We believe this effort targets a meaningful untapped opportunity to cover UHNWI who are decision-makers over an average of USD 1.6 billion in industry-wide investment banking fees each year.

### Significant transactions

We executed a number of noteworthy transactions in 2015, reflecting the diversity of our franchise.

- In debt capital markets we arranged key financings for a diverse set of clients including Charter Communications (cable), International Game Technology (gaming), Pharmaceutical Product Development (health care services), Spectrum Brands Holdings (consumer), Chemours Company (chemicals), Altice (cable), Berry Plastics (packaging) and The Coca-Cola Company (beverage).
- In equity capital markets we executed the IPO for Scout 24 Holding (digital marketplace), follow-on and convertible offerings for Teva Pharmaceutical Industries (pharmaceuticals), follow-on offering for Piraeus Bank Group (financial and banking services), equity convertible offering for Anthem (health insurance services), follow-on offering for Columbia Pipeline Group (natural gas pipelines), follow-on offering for Aramark Corporation (food, hospitality and facilities services) and follow-on offering for Newfield Exploration Company (oil and gas exploration and production).
- In M&A we advised on a number of transformational transactions throughout the year, including Dell's acquisition of EMC Corporation (technology), the sale of Precision Castparts Corp. to Berkshire Hathaway (industrials), NXP Semiconductors' merger with Freescale Semiconductor (semiconductors), Solvay's acquisition of Cytec Industries (chemicals), the sale of Cameron International Corporation to Schlumberger (oilfield services), PartnerRe's sale to EXOR. (reinsurance), Anthem's acquisition of Cigna Corporation (health insurance services), Lockheed Martin's acquisition of Sikorsky Aircraft (aerospace) and Canada Pension Plan Investment Board's acquisition of Antares Capital from GE Capital (financial services).

## STRATEGIC RESOLUTION UNIT

### Business profile

The Strategic Resolution Unit was created to facilitate the immediate right-sizing of our business divisions from a capital perspective and includes remaining portfolios from the former non-strategic units plus transfers of additional exposures from the business divisions. The primary focus of the Strategic Resolution Unit is to facilitate the rapid wind-down of capital and costs in order to reduce the negative impact on the overall Group performance. From a risk-weighted assets (excluding operational risk) and leverage exposure perspective, the Strategic Resolution Unit is expected to wind-down by approximately 70% by year-end 2018. Repositioned as a separate division of the Group, the Strategic Resolution Unit provides clearer accountability, governance and reporting.

### Key data – Strategic Resolution Unit

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

### Composition

Our Strategic Resolution Unit contains specific wind-down activities and positions previously reported in the non-strategic units that were part of the former Private Banking & Wealth Management and Investment Banking divisions. These units included activities relating to the repositioning of select onshore private banking businesses, legacy cross-border private banking businesses, activities relating to the restructuring of the former Asset Management division, legacy fixed income portfolios, legacy litigation and legacy funding costs.

Additional transfers from the former Investment Banking division to the Strategic Resolution Unit included certain business exits and selected portfolios to resize our business divisions to our new strategic direction. Specifically, we have effected transfers from our macro, credit, securitized products, emerging markets and equity derivatives businesses to the Strategic Resolution Unit. From the former Private Banking & Wealth Management division, additional transfers include the US private banking business, select Western European branches and legacy asset management positions.

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

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

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

# Regulation and supervision

## OVERVIEW

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

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

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

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

▸ Refer to "Risk factors" for further information on risks that may arise relating to regulation.

## RECENT REGULATORY DEVELOPMENTS AND PROPOSALS

Some of the most significant regulations proposed or enacted during 2015 and early 2016 are discussed below.

### Global initiatives

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

#### Total Loss-Absorbing Capacity

On November 9, 2015, the Financial Stability Board (FSB) issued the final total loss-absorbing capacity (TLAC) standard for global systemically important banks (G-SIBs), which will become effective on January 1, 2019, subject to a phase-in until January 1, 2022. In order for this new standard to become effective, it must be implemented under local law in relevant jurisdictions. The purpose of the standard is to enhance the ability of regulators to recapitalize a G-SIB at the point of non-viability in a manner that minimizes systemic disruption, preserves critical functions and limits the exposure of public sector funds. TLAC-eligible instruments will include instruments that count towards satisfying minimum regulatory capital requirements, as well as long-term unsecured debt instruments that have remaining maturities of no less than one year, are subordinated by statute, corporate structure or contract to certain excluded liabilities, including deposits, are held by unaffiliated third parties and meet certain other requirements. Excluding any applicable regulatory capital buffers that are otherwise required, the minimum TLAC requirement will be at least 16% of a G-SIB's RWA as of January 1, 2019, and increase to at least 18% as of January 1, 2022. In addition, the minimum TLAC requirement must be at least 6% of the Basel III leverage ratio denominator as of January 1, 2019, and at least 6.75% as of January 1, 2022.

In Switzerland, on December 22, 2015, the Swiss Federal Council published its proposed revisions to the Capital Adequacy Ordinance and the Swiss Federal Ordinance on Banks and Savings Banks (Banking Ordinance). The proposal includes requirements for the Swiss G-SIB to hold TLAC of 18.0 – 22.3% of their RWA and of 6.75 – 8.0% of their leverage ratio denominator. The newly recalibrated system leads to total loss-absorbing capacity (including bail-in instruments and including all buffers, except the countercyclical buffer) of 10% of total exposure and of 28.6% of risk-weighted assess for Swiss G-SIBs, subject to rebates. It is expected that the new requirements will become effective as of July 1, 2016. The requirements would be phased-in until the end of 2019, with certain grandfathering rules for existing capital instruments (high-trigger tier 2 and low-trigger tier 1 and tier 2 instruments).

In the US, the Board of Governors of the Federal Reserve System published proposed rules on November 30, 2015 that would implement in the US the FSB's TLAC standard. The proposed rules would require, among other things, the US intermediate holding companies (IHC) of non-US G-SIBs, such as Credit Suisse's US IHC, to maintain minimum amounts of "internal" TLAC, which would include minimum levels of tier 1 capital and long-term debt satisfying certain eligibility criteria, and a related TLAC buffer commencing January 1, 2019. Credit Suisse's US IHC would be required to issue all such TLAC instruments to a foreign parent entity (a non-US entity that controls the intermediate holding company). The proposed rules would also impose limitations on the types of financial transactions that Credit Suisse's US IHC could engage in.

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

for own funds and eligible liabilities (MREL). Similar to the FSB's TLAC standard, the MREL requirement obliges firms within the scope of the BRRD to maintain a minimum level of own funds and liabilities that can be bailed in. The draft statement of policy reflects both the TLAC standards and the requirements of the European Banking Authority's (EBA) Regulatory Technical Standards on MREL. It does not propose to set TLAC requirements in addition to MREL. Also on December 11, 2015, the Prudential Regulation Authority (PRA) published a consultation on its supervisory statement on MREL and its relationship to both capital and leverage ratio buffers. Both consultation periods ended on March 11, 2016.

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

### ISDA Resolution Stay Protocols

On November 12, 2015, the International Swaps and Derivatives Association, Inc. (ISDA) launched a new version of the ISDA Resolution Stay Protocol (Protocol) that expands coverage to certain securities financing transactions (SFT). Twenty-one major global banks, including Credit Suisse, voluntarily adhered to the Protocol at the time of its launch. By adhering to the Protocol, parties agree to be bound by, or "opt in," to certain existing and forthcoming special resolution regimes to ensure that cross-border derivatives and SFT are subject to statutory stays on cross-default and early termination rights in the event a bank counterparty enters into resolution, regardless of their governing law. These stays are intended to facilitate an orderly resolution of a troubled bank. Statutory resolution regimes have been implemented in several jurisdictions, including Switzerland, the US and the EU. These regimes provide resolution authorities with a broad set of tools and powers to resolve a troubled bank, including the ability to temporarily stay, and under certain circumstances permanently override, the termination rights of counterparties of a bank and its affiliates in the event the bank enters into resolution. The Protocol introduces similar stays and overrides in the event that an affiliate of an adhering party becomes subject to proceedings under the US Bankruptcy Code, under which no such stays or overrides currently exist. However, these provisions are not effective until certain regulations are introduced in the US.

Although other large banking groups may also adhere to the Protocol, it is anticipated that buy-side or end-user counterparties of Credit Suisse will not voluntarily give up early termination rights and will therefore not adhere to the Protocol. In order to expand the scope of parties and transactions covered by the Protocol or similar contractual arrangements, the G-20 committed to introducing regulations requiring large banking groups to include Protocol-like provisions in certain financial contracts when facing counterparties under foreign laws. Certain G-20 member nations introduced such requirements in 2015, and more are expected to do so in the coming years.

In Switzerland, the Swiss Federal Council introduced amendments to the Banking Ordinance that will require banks, including Credit Suisse, to include terms in their contracts (and in contracts entered into by their subsidiaries) that are not governed by Swiss law or that provide for jurisdiction outside of Switzerland that ensure that FINMA's stay powers under the Swiss Federal Act on Banks and Savings Banks of November 8, 1934, as amended (Bank Law) would be enforceable with respect to such contracts. These requirements are set forth in the Banking Ordinance since January 1, 2016. The Swiss Financial Market Supervisory Authority FINMA (FINMA) is responsible for determining the appropriate time for complying with this requirement in line with international standards.

In the UK, the PRA published final rules in November 2015 requiring UK entities, including CSI and CSSEL, to ensure that their counterparties under a broad range of financial arrangements are subject to the stays on early termination rights under the UK Banking Act of 2009 (UK Banking Act) that would be applicable upon their resolution. UK entities must comply with these rules from June 2016.

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

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

### Supervision

On March 18, 2015, the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) announced a nine-month delay (from December 1, 2015 to September 1, 2016) in the start date for margin requirements for non-centrally cleared derivatives, subject to a specified phase-in schedule. These changes have been reflected in the final margin rules in certain key jurisdictions (such as Switzerland, the US, the EU and Canada), although the timing for the publication of those final rules and the ensuing length of time between final rule publication and the new September 1, 2016 effective date of the margin requirements remain unclear for other jurisdictions. Further delay or a lack of coordination in national rulemaking processes in these other jurisdictions could result in disruption to the derivatives markets and Credit Suisse's derivatives businesses.

## Switzerland

As of January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements, and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Certain requirements under the legislation, including those regarding capital, are to be phased in through year-end 2018.

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

### Supervision

On April 29, 2015, the Swiss Federal Council decided to bring the Federal Act on Implementing the Revised Recommendations of 2012 of the Financial Action Task Force into force in two stages. First, the provisions on the transparency of legal entities and bearer shares entered into force on July 1, 2015, introducing new reporting obligations for shareholders of non-listed companies. Second, other provisions, such as expanding the term "politically exposed person", amending the rules on the freezing of assets and introducing new predicate offenses for money laundering, entered into force on January 1, 2016, as they required further implementation.

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

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

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

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

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

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

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

### Tax

#### Swiss Tax Administrative Assistance Act

On February 1, 2013, the Swiss Tax Administrative Assistance Act entered into force. The act governs administrative assistance in double taxation and international agreements that Switzerland has entered into, which provide for the exchange of information relating to tax matters consistent with Article 26 of the Organization for Economic Cooperation and Development (OECD) Model Tax Convention. Under the act, administrative assistance is no longer prohibited for group requests based on a behavioral pattern, but so-called "fishing expeditions" are expressly prohibited. However, group requests are only permissible with respect to information relating to tax periods from February 1, 2013. On August 1, 2014 an amendment of the Swiss Tax Administrative Act entered into force. The amendment allows in certain cases that the affected taxpayer be informed after the information has been communicated to the authorities of the requesting country, and the establishment of a special procedure for informing parties affected by a group request. In September 2015, the Swiss Federal Council initiated consultation proceedings on the revision of the Swiss Tax Administrative Assistance Act. The revision provides for an easing of Swiss practices with regard to stolen data. The revised law would allow, under certain circumstances, to respond to requests if a foreign country has obtained the stolen data via normal administrative assistance channels or from public sources. The proposed revision has not yet been approved by the Swiss Parliament.

On January 1, 2016, a new provision of the Swiss Tax Administrative Assistance Ordinance entered into force. The new provision defines the possibility of passing on the costs of international administrative assistance to the person or financial institution concerned.

### Swiss-EU savings tax agreement

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

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

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

### FATCA

On June 2, 2014, the agreement on cooperation to simplify the implementation of the Foreign Account Tax Compliance Act (FATCA) between Switzerland and the US entered into force. The corresponding implementing act entered into force on June 30, 2014. FATCA implementation in Switzerland is based on Model 2, which means that Swiss financial institutions disclose account details directly to the US tax authority with the consent of the US clients concerned, and that the US has to request data on recalcitrant clients through normal administrative assistance channels. The agreement is expected to reduce the administrative burden for Swiss financial institutions associated with the implementation of FATCA. FATCA requirements entered into force on July 1, 2014. The Swiss Federal Council announced on October 8, 2014 that it intends to negotiate a Model 1 intergovernmental agreement that would replace the existing agreement, and that would instead require Foreign Financial Institutions (FFIs) in Switzerland to report US accounts to the Swiss authorities, with an AEOI between Swiss and US authorities. Complying with the required identification, withholding and reporting obligations requires significant investment in an FFI's compliance and reporting framework. We are continuing to follow developments regarding FATCA closely and are coordinating with all relevant authorities.

### Amendment protocol to the Swiss/Italian tax treaty

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

### Automatic exchange of information in tax matters

On December 18, 2015, the Swiss Parliament adopted the Federal Act on the International Automatic Exchange of Information in Tax Matters to enable the AEOI and approved the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (MCAA). The Federal Act on the International Automatic Exchange of Information in Tax Matters and the MCAA are subject to an optional referendum until April 9, 2016. Provided that no referendum takes place or that the outcome of the referendum is positive, Switzerland will ratify the MCAA and the Federal Act on the International Automatic Exchange of Information in Tax Matters will enter into force. Subject to the laws entering into force on January 1, 2017, first data will be collected from January 1, 2017 and be exchanged from January 1, 2018.

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

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

### Final foreign withholding taxes with UK and Austria

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

### Withholding tax reforms

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

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

### Corporate Tax Reform Act III

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

### Resolution regime

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

## US

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

### Supervision

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

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

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

### Derivative regulation

#### Security-based swap regulation

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

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

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

#### Margin requirements

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

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

may impose limits on the extent to which non-US swap dealers, including CSI and CSSEL, could rely on comparable EU rules in lieu of US rules.

The US rules will follow a phased implementation schedule, with (i) variation margin requirements coming into effect on September 1, 2016 for trading among the most significant market participants and March 1, 2017 for other covered entities, and (ii) initial margin requirements phasing in annually for different counterparties from September 1, 2016 until September 1, 2020, depending on the notional derivatives exposure of the counterparty and its affiliates during the preceding March, April and May and applying first to trading among the most significant market participants. As a result, these rules will begin to apply to CSI and CSSEL on September 1, 2016 for our trading with other large, globally active swap dealers, and then will phase-in over 2016-2020 for our trading with less active counterparties.

### CFTC no-action relief

On August 13, 2015, the CFTC issued a no-action letter that extends from September 30, 2015 until September 30, 2016 the expiration date for relief from a staff advisory stating that CFTC "transaction-level" requirements, such as mandatory clearing, mandatory exchange trading, real-time public reporting and external business conduct, apply to a swap between a non-US swap dealer, such as CSI or CSSEL, and another non-US person if the swap is arranged, negotiated or executed by US personnel or agents of the non-US swap dealer.

On November 9, 2015, the CFTC issued a no-action letter that extends from December 1, 2015 until December 1, 2016 the expiration date for relief from a requirement that certain non-US swap dealers, including CSI and CSSEL, report information about their swaps with non-US counterparties to a US data repository.

Expiration of either of these letters without modifications to the CFTC's guidance or permitting substituted compliance with the EU rules could reduce the willingness of non-US counterparties to trade with CSI and CSSEL, which could negatively affect our swap trading revenue or necessitate changes to how we organize our swap business. We continue to monitor these developments and prepare contingency plans to comply with the final guidance once effective.

## EU

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

### Supervision

On August 30, 2015, the European Securities and Markets Authority (ESMA) concluded that there are no obstacles to extending the passporting regime under the Alternative Investment Fund Managers Directive to jurisdictions such as Guernsey, Jersey or Switzerland provided that, in relation to Switzerland, certain amendments are made to the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA). Such passporting regime allows authorized alternative investment fund managers to market alternative investment funds to professional investors throughout the EU. The ESMA reached no definitive views on extending such passport regime in relation to Hong Kong, Singapore and the US.

On December 9, 2015, the European Commission approved a compromise agreed with the European Parliament on new rules aimed at ensuring greater accuracy and integrity of benchmarks in financial instruments. The new benchmark regulation will govern the activities of benchmark administrators and submitters, including by means of a legally-binding code of conduct for contributors of data. Stricter rules will apply to critical benchmarks, such as those used as a reference for financial instruments or financial contracts or for the determination of the performance of certain investment funds. Certain restrictions and rules introduced by the benchmark regulation will apply to Credit Suisse in its capacity as benchmark user and contributor. It is expected that the benchmark regulation will officially enter into force during the course of 2016 and will become applicable from 2017 onwards.

On December 14, 2015, the EBA published its final guidelines on limits on exposures to shadow banking entities that carry out banking activities outside the regulated framework of the Capital Requirements Regulation. The guidelines will apply from January 1, 2017 and, along with a new definition for shadow banking, they explain the methodology that should be used by institutions, as part of their internal policies and procedures, for managing concentration risk arising from exposure to shadow banking entities.

On December 16, 2015, the Financial Conduct Authority (FCA) and the PRA published policy statements relating to the new accountability regime for UK branches of foreign banks, which consists of the senior managers regime, the certification regime and the conduct rules. Final rules are introduced to create the new accountability framework for individuals working in UK branches of overseas banks that are authorized to accept deposits or deal in investments as principal in the UK. The new regime is aimed at ensuring greater individual accountability in the banking sector.

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

### Derivative regulation

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

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

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

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

### Market abuse

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

### Tax

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

Credit Suisse entities with a party established in a participating member state, will be subject to the tax.

### UK

#### Resolution regime

With effect from January 1, 2015, changes have been made primarily to the UK Banking Act, the Financial Services and Markets Act 2000 (FSMA) and the Insolvency Act 1986 in order to reflect the BRRD requirements in relation to the recovery and resolution regime. Extensive changes were made to the special resolution regime (SRR) through the UK Banking Act to cover matters related to the special resolution objectives, the conditions for triggering the SRR, the asset separation tool, the government's stabilization options and the write down of capital instruments, as well as the implementation of the bail-in tool. Furthermore, as a result of the changes introduced by the BRRD, the Bank of England, the PRA and the FCA have been granted additional powers to manage the recovery and resolution process of the relevant credit institutions subject to this regime.

On November 13, 2015, the PRA set out final rules on contractual stays in financial contracts governed by third-country law. The purpose of the rules is to ensure that resolution action taken in relation to a relevant firm would not immediately lead to the early termination of those of its financial arrangements governed by third-country law, while similar financial arrangements governed by the laws of the UK or another EU jurisdiction are stayed. These rules apply to counterparties of UK firms, PRA-authorized banks, and to credit institutions and financial institutions that are subsidiaries of PRA-authorized banks. The rules will come into effect on June 1, 2016.

## REGULATORY FRAMEWORK

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

### Switzerland

#### Banking regulation and supervision

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

Our banks in Switzerland operate under banking licenses granted by FINMA pursuant to the Bank Law and the Banking Ordinance. In addition, certain of these banks hold securities dealer licenses granted by FINMA pursuant to the SESTA.

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

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

Swiss banks are subject to the Basel III framework and the Swiss "Too Big to Fail" legislation and regulations thereunder, which include capital, liquidity, leverage and large exposure requirements, and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency.

Our regulatory capital is calculated on the basis of accounting principles generally accepted in the US, with certain adjustments required by, or agreed with, FINMA.

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

Under Swiss banking law, banks and securities dealers are required to manage risk concentration within specific limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank's adjusted eligible capital (for systemically relevant banks like us, to their core tier 1 capital) taking into account counterparty risks and risk mitigation instruments.

Under the Bank Law and SESTA, Swiss banks and securities dealers are obligated to keep confidential the existence and all aspects of their relationships with customers. These customer confidentiality laws do not, however, provide protection with respect to criminal offenses such as insider trading, money laundering, terrorist financing activities, tax fraud or evasion or prevent the disclosure of information to courts and administrative authorities.

Swiss rules and regulations to combat money laundering and terrorist financing are comprehensive and require banks and other financial intermediaries to thoroughly verify and document customer identity before commencing business. In addition, these rules and regulations include obligations to maintain appropriate policies for dealings with politically exposed persons and procedures and controls to detect and prevent money laundering and terrorist financing activities, including reporting suspicious activities to authorities.

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

### Securities dealer and asset management regulation and supervision

Our securities dealer activities in Switzerland are conducted primarily through the Bank and are subject to regulation under SESTA, which regulates all aspects of the securities dealer business in Switzerland, including regulatory capital, risk concentration, sales and trading practices, record-keeping requirements and procedures and periodic reporting procedures. Securities dealers are supervised by FINMA.

Our asset management activities in Switzerland, which include the establishment and administration of mutual funds registered for public distribution, are conducted under the supervision of FINMA.

### Resolution regime

The Banking Insolvency Ordinance-FINMA (the Banking Insolvency Ordinance) governs resolution (i.e., restructuring or liquidation) procedures of Swiss banks and securities dealers, such as Credit Suisse AG, and of Swiss domiciled parent companies of financial groups, such as Credit Suisse Group AG, and certain other unregulated Swiss-domiciled companies belonging to financial groups. Instead of prescribing a particular resolution concept, the Banking Insolvency Ordinance provides FINMA with a significant amount of authority and discretion in the case of resolution, as well as various restructuring tools from which FINMA may choose.

FINMA may open resolution proceedings if there is justified concern that the relevant Swiss bank (or Swiss domiciled parent companies of financial groups and certain other unregulated Swiss-domiciled companies belonging to financial groups) is overindebted, has serious liquidity problems or no longer fulfills capital adequacy requirements. Resolution proceedings may only take the form of restructuring (rather than liquidation) proceedings if (i) the recovery of, or the continued provision of individual banking services by, the relevant bank appears likely and (ii) the creditors of the relevant bank are likely better off in restructuring proceedings than in liquidation proceedings. All realizable assets in the relevant entity's possession will be subject to such proceedings, regardless of where they are located.

If FINMA were to open restructuring proceedings with respect to Credit Suisse AG or since January 1, 2016 Credit Suisse Group AG, it would have discretion to take decisive actions, including (i) transferring the assets of the bank or Credit Suisse Group AG, as applicable, or a portion thereof, together with its debt and other liabilities, or a portion thereof, and contracts, to another entity, (ii) staying (for a maximum of two working days) the termination of, and the exercise of rights to terminate netting rights, rights to enforce or dispose of certain types of collateral or rights to transfer claims, liabilities or certain collateral, under contracts to which the bank or Credit Suisse Group AG, as applicable, is a party, (iii) converting the debt of the bank or Credit Suisse Group AG, as applicable, into equity (debt-to-equity swap), and/or (iv) partially or fully writing off the obligations of the bank or Credit Suisse Group AG, as applicable (haircut).

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

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

## US

### Banking regulation and supervision

Our banking operations are subject to extensive federal and state regulation and supervision in the US. Our direct US offices are composed of our New York Branch and representative offices in California. Each of these offices is licensed with, and subject to examination and regulation by, the state banking authority in the state in which it is located.

Our New York Branch is licensed by the New York Superintendent of Financial Services (Superintendent), examined by the New York State Department of Financial Services, and subject to laws and regulations applicable to a foreign bank operating a New York branch. Under the New York Banking Law, our New York Branch must maintain eligible assets with banks in the state of New York. The amount of eligible assets required, which is expressed as a percentage of third-party liabilities, would increase if our New York Branch is no longer designated well rated by the Superintendent.

The New York Banking Law authorizes the Superintendent to seize our New York Branch and all of Credit Suisse AG's business and property in New York State (which includes property of our New York Branch, wherever it may be located, and all of Credit Suisse AG's property situated in New York State) under circumstances generally including violations of law, unsafe or unsound practices or insolvency. In liquidating or dealing with our New York Branch's business after taking possession, the Superintendent would only accept for payment the claims of depositors and other creditors (unaffiliated with us) that arose out of transactions with our New York Branch. After the claims of those creditors were paid out of the business and property of the Bank in New York, the Superintendent would turn over the remaining assets, if any, to us or our liquidator or receiver.

Under New York Banking Law and US federal banking laws, our New York Branch is generally subject to single borrower lending limits expressed as a percentage of the worldwide capital of the Bank. Under the Dodd-Frank Act, lending limits take into account credit exposure arising from derivative transactions, securities borrowing and lending transactions and repurchase and reverse repurchase agreements with counterparties.

Our operations are also subject to reporting and examination requirements under US federal banking laws. Our US non-banking operations are subject to examination by the Fed in its capacity as our US umbrella supervisor. The New York Branch is also subject to examination by the Fed and is subject to federal banking law requirements and limitations on the acceptance and maintenance of deposits. Because the New York Branch does not engage in retail deposit taking, it is not a member of, and its deposits are not insured by, the FDIC.

US federal banking laws provide that a state-licensed branch (such as the New York Branch) or agency of a foreign bank may not, as a general matter, engage as principal in any type of activity that is not permissible for a federally licensed branch or agency of a foreign bank unless the Fed has determined that such activity is consistent with sound banking practice. In addition, regulations which the FSOC and the Fed may adopt could affect the nature of the activities which the Bank (including the New York Branch) may conduct, and may impose restrictions and limitations on the conduct of such activities.

The Fed may terminate the activities of a US branch or agency of a foreign bank if it finds that the foreign bank: (i) is not subject to comprehensive supervision in its home country; (ii) has violated the law or engaged in an unsafe or unsound banking practice in the US; or (iii) for a foreign bank that presents a risk to the stability of the US financial system, the home country of the foreign bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk.

Credit Suisse Group and the Bank became financial holding companies for purposes of US federal banking law in 2000 and, as a result, may engage in a broad range of non-banking activities in the US, including insurance, securities, private equity and other financial activities, in each case subject to regulatory requirements and limitations. Credit Suisse Group is still required to obtain the prior approval of the Fed (and potentially other US banking regulators) before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting shares of (or otherwise controlling) any US bank, bank holding company or many other US depositary institutions and their holding companies, and as a result of the Dodd-Frank Act, before making certain acquisitions involving large non-bank companies. The New York Branch is also restricted from engaging in certain tying arrangements involving products and services, and in certain transactions with certain of its affiliates. If Credit Suisse Group or the Bank ceases to be well-capitalized or well-managed under applicable Fed rules, or otherwise fails to meet any of the requirements for financial holding company status, it may be required to discontinue certain financial activities or terminate its New York Branch. Credit Suisse Group's ability to undertake acquisitions permitted by financial holding companies could also be adversely affected.

Credit Suisse is also subject to the so-called "Volcker Rule", which limits the ability of banking entities to sponsor or invest in certain private equity or hedge funds, broadly defined, and to engage in certain types of proprietary trading for their own account. These restrictions are subject to certain exclusions and exemptions, including with respect to underwriting, market-making, risk-mitigating hedging and certain asset and fund management activities, and with respect to certain transactions and investments occurring solely outside of the US. The Volcker Rule requires banking entities to establish an extensive array of compliance policies, procedures and quantitative metrics reporting designed to ensure and monitor compliance with restrictions under the Volcker Rule. It also requires an annual attestation either by the CEO of the top-tier foreign banking organization or the senior management officer in the US as to the implementation of a compliance program reasonably designed to achieve compliance with the Volcker Rule. The Volcker Rule's implementing regulations became effective in April 2014 and Credit Suisse was generally required to come into compliance with the Volcker Rule by July 2015, with the exception of certain investments and relationships with private equity funds and hedge funds that were in place prior to December 31, 2013, for which the Fed has extended the compliance deadline to July 21, 2016 and indicated its intention to grant a further one-year extension to July 21, 2017. Credit Suisse implemented a Volcker Rule compliance program reasonably designed to satisfy the requirements of the Volcker Rule by the July 21, 2015 deadline. The Volcker Rule's implementing regulations are highly complex and may be subject to further regulatory interpretation and guidance, and its full impact will not be known with certainty for some time.

Fed regulations implementing the Dodd-Frank Act require Credit Suisse to create a single US IHC to hold substantially all of its US subsidiaries with limited exceptions by July 1, 2016. The IHC requirement does not apply to the New York Branch. The IHC will be subject to US risk-based capital and leverage requirements that are largely consistent with the Basel III framework published by the BCBS, though they diverge in several important respects due to the requirements of the Dodd-Frank Act. The IHC may become subject to additional requirements under the Fed's proposed TLAC framework for IHCs, described above. In addition, both the IHC itself and the combined US operations of Credit Suisse (including the IHC and the New York Branch) are subject to other new prudential requirements, including with respect to liquidity risk management, separate liquidity buffers for each of the IHC and the New York Branch, and stress testing. Under proposals that remain under consideration, the IHC and the combined US operations of Credit Suisse may become subject to limits on credit exposures to any single counterparty, and the combined US operations of Credit Suisse may also become subject to an early remediation regime which could be triggered by risk-based capital, leverage, stress tests, liquidity, risk management and market indicators. The Fed has also indicated that it is considering future rulemakings that could apply the US rules implementing the Basel III LCR to the US operations of certain large foreign banking organizations.

A major focus of US policy and regulation relating to financial institutions has been to combat money laundering and terrorist financing. These laws and regulations impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, verify the

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

The Dodd-Frank Act requires issuers with listed securities to establish a claw-back policy to recoup erroneously awarded compensation in the event of an accounting restatement.

### Broker-dealer and asset management regulation and supervision

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

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

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

Our securities and asset management businesses include legal entities registered and regulated as a broker-dealer and investment adviser by the SEC. The SEC-registered mutual funds that we advise are subject to the Investment Company Act of 1940. For pension fund customers, we are subject to the Employee Retirement Income Security Act of 1974 and similar state statutes.

The Dodd-Frank Act grants the SEC discretionary rule-making authority to impose a new fiduciary standard on brokers, dealers and investment advisers and expands the extraterritorial jurisdiction of US courts over actions brought by the SEC or the US with respect to violations of the antifraud provisions in the Securities Act of 1933, Securities Exchange Act of 1934 and Investment Advisers Act of 1940. It also requires broader regulation of hedge funds and private equity funds, as well as credit rating agencies.

### Derivative regulation and supervision

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

Each of CSI and CSSEL is registered with the CFTC as a swap dealer as a result of its swap activities with US persons and is therefore subject to requirements relating to reporting, record-keeping, swap confirmation, swap portfolio reconciliation and compression, mandatory clearing, mandatory exchange-trading, swap trading relationship documentation, external business conduct, risk management, chief compliance officer duties and reports, internal controls, and margin requirements. It is anticipated that the CFTC will in 2016 or 2017 finalize rules related to capital requirements and position limits, as well as potentially expand the scope of its mandatory clearing and exchange-trading requirements to cover certain types of foreign exchange transactions.

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

Our asset management businesses include legal entities registered and regulated as commodity pool operators and commodity trading advisors by the CFTC and the NFA.

In addition, we expect the SEC to finalize some of its rules implementing the derivatives provisions of the Dodd-Frank Act during 2016. While the SEC's proposals have largely paralleled many of the CFTC's rules, significant differences between the final CFTC and SEC rules could materially increase the compliance costs associated with, and hinder the efficiency of, our equity and credit derivatives businesses with US persons. In particular, significant differences between the SEC rules regarding capital, margin and segregation requirements for OTC derivatives and related CFTC rules, as well as the cross-border application of SEC and CFTC rules, could have such effects.

### FATCA

FATCA became law in the US on March 18, 2010. The legislation requires FFIs (such as Credit Suisse) to enter into an FFI agreement and agree to identify and provide the US Internal Revenue Service (IRS) with information on accounts held by US persons and certain US-owned foreign entities, or otherwise face 30% withholding tax on withholdable payments. In addition, FFIs that have entered into an FFI agreement will be required to withhold on such payments made to FFIs that have not entered into an FFI agreement, account holders who fail to provide sufficient information to classify an account as a US or non-US account, and US account holders who do not agree to the FFI reporting their account to the IRS. Switzerland and the US entered into a "Model 2" intergovernmental agreement to implement the reporting and withholding tax provisions of FATCA that became effective on June 2, 2014. FATCA requirements entered into force on July 1, 2014. The intergovernmental agreement enables FFIs in Switzerland to comply with FATCA while remaining in compliance with Swiss law. Under the agreement, US authorities may ask Swiss authorities for administrative assistance in connection with group requests where consent to provide information regarding potential US accounts is not provided to the FFI. The Swiss Federal Council announced on October 8, 2014 that it intends to negotiate a Model 1 intergovernmental agreement that would replace the existing agreement, and that would instead require FFIs in Switzerland to report US accounts to the Swiss authorities, with an AEOI between Swiss and US authorities. Complying with the required identification, withholding and reporting obligations requires significant investment in an FFI's compliance and reporting framework. We are continuing to follow developments regarding FATCA closely and are coordinating with all relevant authorities.

### Resolution regime

The Dodd-Frank Act also establishes an "Orderly Liquidation Authority", a new regime for the orderly liquidation of systemically significant non-bank financial companies, which could potentially apply to certain of our US entities. The Secretary of the US Treasury may under certain circumstances appoint the FDIC as receiver for a failing financial company in order to prevent risks to US financial stability. The FDIC would then have the authority to charter a "bridge" company to which it can transfer assets and liabilities of the financial company, including swaps and other qualified financial contracts, in order to preserve the continuity of critical functions of the financial company. The FDIC has indicated that it prefers a single-point-of-entry strategy, although it retains the ability to resolve individual financial companies. On February 17, 2016, the FDIC and SEC proposed rules that would clarify the application of the Securities Investor Protection Act in a receivership for a systemically significant broker-dealer under the Dodd-Frank Act's Orderly Liquidation Authority. In addition, the Dodd-Frank Act and related rules promulgated by Fed and the FDIC require bank holding companies with total consolidated assets of USD 50 billion or more, such as us, and certain designated non-bank financial firms to submit annually to the Fed and the FDIC resolution plans describing the strategy for rapid and orderly resolution under the US Bankruptcy Code or other applicable insolvency regimes, though such plans may not rely on the Orderly Liquidation Authority.

## EU

### Financial services regulation and supervision

Since it was announced in 1999, the EU's Financial Services Action Plan has given rise to numerous measures (both directives and regulations) aimed at increasing integration and harmonization in the European market for financial services. While regulations have immediate and direct effect in EU member states, directives must be implemented through national legislation. As a result, the terms of implementation of directives are not always consistent from country to country. In response to the financial crisis and in order to strengthen European supervisory arrangements, the EU established the European Systemic Risk Board, which has macro-prudential oversight of the financial system. The EU has also established three supervisory authorities responsible for promoting greater harmonization and consistent application of EU legislation by national regulators: the EBA, the ESMA and the EIOPA.

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

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

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

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

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

### Resolution regime

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

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

The BRRD also requires banks to hold a certain amount of bail-inable loss absorbing capacity at both individual and consolidated levels from 2016, although these requirements will be phased in with fully loaded requirements from 2019/20 onwards This requirement is known as the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), and is conceptually similar to the TLAC framework. The deadline for transposing the directive into member states' law and regulation was December 31, 2014 and national authorities were obligated to apply the provisions of the BRRD (with the exception of the bail-in tool) by January 1, 2015. The European Commission is considering whether the MREL framework can be used to apply TLAC in the EU, or whether new primary legislation is needed.

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

## UK

### Banking regulation and supervision

The Financial Services Authority (FSA) was the principal statutory regulator of financial services activity in the UK, deriving its powers from the FSMA. In April 2013, the FSA was replaced by: the PRA, a subsidiary of the Bank of England, which is responsible for the micro-prudential regulation of banks and larger investment firms and the FCA, which regulates markets, the conduct of business of all financial firms, and the prudential regulation of firms not regulated by the PRA. In addition, the Financial Policy Committee of the Bank of England was established as responsible for macro-prudential regulation.

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

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

requirement for the firm to be fit and proper. In addition to regulation by the PRA, certain wholesale money markets activities are subject to the Non-Investment Products Code, a voluntary code of conduct published by the Bank of England which PRA-regulated firms are expected to follow when conducting wholesale money market business.

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

With effect from January 1, 2014, CRD IV has replaced the previous CRD with new measures implementing Basel III and other requirements. Compliance with these requirements will include receiving approval by the PRA of certain models with respect to regulatory capital requirements of our UK subsidiaries.

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

The UK Financial Services Act 2013 (Banking Reform Act), enacted in December 2013, provides for the creation of a "retail ring-fence" that will prohibit large retail deposit banks from carrying out a broad range of investment and other banking activities in the same entity. The Banking Reform Act has been implemented by secondary legislation. Banks are expected to be required to comply with the ring-fencing requirements by 2019. However, it is expected that our private banking businesses in the UK may benefit from the de minimis exemption from the retail ring-fence requirements which is anticipated to exclude certain banks that hold core deposits of below GBP 25 billion. The Banking Reform Act also introduces certain other reforms, including requirements for primary loss absorbing capacity in order to facilitate the use of the new bail-in tool, which is itself introduced by the Banking Reform Act. The Banking Reform Act will also establish a more stringent regulatory regime for senior managers and specified risk takers in a bank or PRA authorized investment firm, as well as create a new criminal offense for reckless mismanagement leading to the failure of a firm. The governance rules and the bail-in tool will impact our UK entities, such as CSI and CSSEL.

### Broker-dealer and asset management regulation and supervision

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

### Tax

The UK has recently introduced changes to the taxation regime applicable to companies carrying on banking activities. In the Finance Act 2015, the UK introduced a restriction on the extent to which certain banking companies can use historic losses (meaning losses incurred prior to April 1, 2015) to offset profits for tax purposes. This loss relief restriction may be relevant to certain Credit Suisse UK entities, or to Credit Suisse entities with UK branches.

Pursuant to the Finance (No. 2) Act 2015, a new tax "surcharge" of 8% now applies to the taxable profits of certain banking companies for UK corporation tax purposes, where such profits arise on or after January 1, 2016. For the purposes of the surcharge, no relief is given for historic losses (meaning, in this case, losses incurred prior to January 1, 2016). As part of the same package of legislative measures, the rate of the UK's existing bank levy attributable to the UK operations of large banks was reduced on January 1, 2016 and will be reduced further in each of the next five years.

The new tax surcharge and changes to the bank levy may be relevant to certain Credit Suisse UK entities, or to Credit Suisse entities with UK branches.

### Resolution regime

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

# Risk factors

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

## LIQUIDITY RISK

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

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

**Our liquidity could be impaired if we were unable to access the capital markets or sell our assets, and we expect our liquidity costs to increase**

Our ability to borrow on a secured or unsecured basis and the cost of doing so can be affected by increases in interest rates or credit spreads, the availability of credit, regulatory requirements relating to liquidity or the market perceptions of risk relating to us or the banking sector, including our perceived or actual creditworthiness. An inability to obtain financing in the unsecured long-term or short-term debt capital markets, or to access the secured lending markets, could have a substantial adverse effect on our liquidity. In challenging credit markets, our funding costs may increase or we may be unable to raise funds to support or expand our businesses, adversely affecting our results of operations. Following the financial crisis in 2008 and 2009, our costs of liquidity have been significant, and we expect to incur additional costs as a result of regulatory requirements for increased liquidity and the continued challenging economic environment in Europe, the US and elsewhere.

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

**Our businesses rely significantly on our deposit base for funding**

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

**Changes in our ratings may adversely affect our business**

Ratings are assigned by rating agencies. They may lower, indicate their intention to lower or withdraw their ratings at any time. The major rating agencies remain focused on the financial services industry, particularly on uncertainties as to whether firms that pose systemic risk would receive government or central bank support in a financial or credit crisis, and on such firms' potential vulnerability to market sentiment and confidence, particularly during periods of severe economic stress. For example, in February 2015 Standard & Poor's lowered its long-term credit ratings of several European banks, including Credit Suisse Group AG, by one notch, and in January 2016 Moody's lowered its long-term credit ratings of Credit Suisse AG by one notch. Any downgrades in our assigned ratings, including in particular our credit ratings, could increase our borrowing costs, limit our access to capital markets, increase our cost of capital and adversely affect the ability of our businesses to sell or market their products, engage in business transactions – particularly longer-term and ○ derivatives transactions – and retain our clients.

## MARKET RISK

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

Although we continued to strive to reduce our balance sheet and made significant progress in implementing our new strategy in 2015, we continue to maintain large trading and investment positions and hedges in the debt, currency and equity markets, and in private equity, hedge funds, real estate and other assets. These positions could be adversely affected by volatility in financial and other markets, that is, the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. To the extent that we own assets, or have net long positions, in any of those markets, a downturn in those markets could result in losses from a decline in the value of our net long positions. Conversely, to the extent that we have sold assets that we do not own or have net short positions in any of those markets, an upturn in those markets could expose us to potentially significant losses as we attempt to cover our net short positions by acquiring assets in a rising market. Market fluctuations, downturns and volatility can adversely affect the ○ fair value of our positions and our results of operations. Adverse market or economic conditions or trends have caused, and in the future may cause, a significant decline in our net revenues and profitability.

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

As a global financial services company, our businesses are materially affected by conditions in the financial markets and economic conditions generally in Europe, the US, Asia and elsewhere around the world. The recovery from the economic crisis of 2008 and 2009 continues to be sluggish in several key developed markets. The European sovereign debt crisis as well as US debt levels and the federal budget process have not been permanently resolved. In addition, significantly higher market volatility, low commodity prices, particularly the recent significant decrease in energy prices, and concerns over emerging markets, in particular slower economic growth in China, have recently affected financial markets. Our financial condition and results of operations could be materially adversely affected if these conditions do not improve, or if they stagnate or worsen. Further, various countries in which we operate or invest have experienced severe economic disruptions particular to that country or region, including extreme currency fluctuations, high inflation, or low or negative growth, among other negative conditions. Concerns about weaknesses in the economic and fiscal condition of certain European countries continued, especially with regard to how such weaknesses might affect other economies as well as financial institutions (including us) which lent funds to or did business with or in those countries. For example, sanctions have been imposed on certain individuals and companies in Russia due to the conflict in the Ukraine. In addition, events in Greece have led to concerns about its economic and financial stability and the effects that it could have on the eurozone. Continued concern about European economies, including the refugee crisis and uncertainty related to the upcoming UK referendum on withdrawal from the EU, could cause disruptions in market conditions in Europe and around the world. Economic disruption in other countries, even in countries in which we do not currently conduct business or have operations, could adversely affect our businesses and results.

Adverse market and economic conditions continue to create a challenging operating environment for financial services companies. In particular, the impact of interest and currency exchange rates, the risk of geopolitical events, fluctuations in commodity prices and concerns over European stagnation and Greece's position in the eurozone have affected financial markets and the economy. In recent years, the low interest rate environment has adversely affected our net interest income and the value of our trading and non-trading fixed income portfolios, and future changes in interest rates, including changes in the current negative short-term interest rates in our home market, could adversely affect our businesses and results. In addition, movements in equity markets have affected the value of our trading and non-trading equity portfolios, while the historical strength of the Swiss franc has adversely affected our revenues and net income. Further, diverging monetary policies among the major economies in which we operate, in particular among the Fed, ECB and SNB, may adversely affect our results.

Such adverse market or economic conditions may reduce the number and size of investment banking transactions in which we provide underwriting, mergers and acquisitions advice or other services and, therefore, may adversely affect our financial advisory and underwriting fees. Such conditions may adversely affect the types and volumes of securities trades that we execute for customers and may adversely affect the net revenues we receive from commissions and spreads. In addition, several of our businesses engage in transactions with, or trade in obligations of, governmental entities, including super-national, national, state, provincial, municipal and local authorities. These activities can expose us to enhanced sovereign, credit-related, operational and reputational risks, including the risks that a governmental entity may default on or restructure its obligations or may claim that actions taken by government officials were beyond the legal authority of those officials, which could adversely affect our financial condition and results of operations.

Unfavorable market or economic conditions have affected our businesses over the last years, including the low interest rate environment, continued cautious investor behavior and changes in market structure, particularly in our macro businesses. These negative factors have been reflected in lower commissions and fees from our client-flow sales and trading and asset management activities, including commissions and fees that are based on the value of our clients' portfolios. Investment performance that is below that of competitors or asset management benchmarks could result in a decline in assets under management and related fees and make it harder to attract new clients. There has been a fundamental shift in client demand away from more complex products and significant client deleveraging, and our results of operations related to private banking and asset management activities have been and could continue to be adversely affected as long as this continues.

Adverse market or economic conditions have also negatively affected our private equity investments since, if a private equity investment substantially declines in value, we may not receive any increased share of the income and gains from such investment (to which we are entitled in certain cases when the return on such investment exceeds certain threshold returns), may be obligated to return to investors previously received excess carried interest payments and may lose our pro rata share of the capital invested. In addition, it could become more difficult to dispose of the investment, as even investments that are performing well may prove difficult to exit.

In addition to the macroeconomic factors discussed above, other events beyond our control, including terrorist attacks, military conflicts, economic or political sanctions, disease pandemics, political unrest or natural disasters could have a material adverse effect on economic and market conditions, market volatility and financial activity, with a potential related effect on our businesses and results.

**We may incur significant losses in the real estate sector**
We finance and acquire principal positions in a number of real estate and real estate-related products, primarily for clients, and originate loans secured by commercial and residential properties. As of December 31, 2015, our real estate loans as reported to the SNB totaled approximately CHF 143 billion. We also securitize and trade in commercial and residential real estate and real estate-related whole loans, mortgages, and other real estate and commercial assets and products, including ○ commercial mortgage-backed securities and ○ RMBS. Our real estate-related businesses and risk exposures could be adversely affected by any downturn in real estate markets, other sectors and the economy as a whole. In particular, the risk of potential price corrections in the real estate market in certain areas of Switzerland could have a material adverse effect on our real estate-related businesses.

**Holding large and concentrated positions may expose us to large losses**
Concentrations of risk could increase losses, given that we have sizeable loans to, and securities holdings in, certain customers, industries or countries. Decreasing economic growth in any sector in which we make significant commitments, for example, through underwriting, lending or advisory services, could also negatively affect our net revenues.

We have significant risk concentration in the financial services industry as a result of the large volume of transactions we routinely conduct with broker-dealers, banks, funds and other financial institutions, and in the ordinary conduct of our business we may be subject to risk concentration with a particular counterparty. We, like other financial institutions, continue to adapt our practices and operations in consultation with our regulators to better address an evolving understanding of our exposure to, and management of, systemic risk and risk concentration to financial institutions. Regulators continue to focus on these risks, and there are numerous new regulations and government proposals, and significant ongoing regulatory uncertainty, about how best to address them. There can be no assurance that the changes in our industry, operations, practices and regulation will be effective in managing this risk.

▸ Refer to "Regulation and supervision" for further information.

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

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

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

## CREDIT RISK

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

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

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

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

▸ Refer to "Credit risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management and "Note 1 – Summary of significant accounting policies", "Note 10 – Provision for credit losses" and "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for information on provisions for loan losses and related risk mitigation.

Under certain circumstances, we may assume long-term credit risk, extend credit against illiquid collateral and price derivative instruments aggressively based on the credit risks that we take. As

a result of these risks, our capital and liquidity requirements may continue to increase.

**Defaults by a large financial institution could adversely affect financial markets generally and us specifically**

Concerns or even rumors about or a default by one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as systemic risk. Concerns about defaults by and failures of many financial institutions, particularly those with significant exposure to the eurozone, continued in 2015 and could continue to lead to losses or defaults by financial institutions and financial intermediaries with which we interact on a daily basis, such as clearing agencies, clearing houses, banks, securities firms and exchanges. Our credit risk exposure will also increase if the collateral we hold cannot be realized upon or can only be liquidated at prices insufficient to cover the full amount of exposure.

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

Although we regularly review our credit exposure to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to foresee or detect, such as fraud. We may also fail to receive full information with respect to the credit or trading risks of a counterparty.

## RISKS RELATING TO OUR STRATEGY

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

In October 2015, we announced a comprehensive new strategic direction, structure and organization of the Group. Our ability to implement our new strategic direction, structure and organization is based on a number of key assumptions regarding the future economic environment, the economic growth of certain geographic regions, the regulatory landscape, our ability to meet certain targets, anticipated interest rates and central bank action. If any of these assumptions (including but not limited to our ability to meet certain targets) prove inaccurate in whole or in part, our ability to achieve some or all of the expected benefits of this strategy could be limited, including our ability to meet our stated financial objectives, keep related restructuring charges within the limits currently expected and retain key employees. Factors beyond our control, including but not limited to the market and economic conditions, changes in laws, rules or regulations, execution risk related to the implementation of our new strategy and other challenges and risk factors discussed in this report, could limit our ability to achieve some or all of the expected benefits of this strategy. The breadth of the changes that we announced increases the execution risk of our new strategy as we seek to change the strategic direction of the Group while also embarking on a reorganization of the Group's business divisions. If we are unable to implement this strategy successfully in whole or in part or should the components of the strategy that are implemented fail to produce the expected benefits, our financial results and our share price may be materially and adversely affected.

▸ Refer to "Information on the Company" for further information on our new strategic direction.

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

The implementation of our strategy may increase our exposure to certain risks, including but not limited to, credit risks, market risks, operational risks and regulatory risks. We also seek to achieve certain cost savings, which may or may not be successful. We have announced our intention to conduct an initial public offering by the end of 2017 currently estimated to be between 20% and 30% of the legal entity Credit Suisse (Schweiz) AG. There is no guarantee that we will be able to conduct such an initial public offering by such time, in such form or at all. Finally, changes to the organizational structure of our business, as well as changes in personnel and management, may lead to temporary instability of our operations.

In addition, acquisitions and other similar transactions we undertake as part of our strategy subject us to certain risks. Even though we review the records of companies we plan to acquire, it is generally not feasible for us to review all such records in detail. Even an in-depth review of records may not reveal existing or potential problems or permit us to become familiar enough with a business to assess fully its capabilities and deficiencies. As a result, we may assume unanticipated liabilities (including legal and compliance issues), or an acquired business may not perform as well as expected. We also face the risk that we will not be able to integrate acquisitions into our existing operations effectively as a result of, among other things, differing procedures, business practices and technology systems, as well as difficulties in adapting an acquired company into our organizational structure. We face the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses or the capital expenditures needed to develop such businesses. We also face the risk that unsuccessful acquisitions will ultimately result in our having to write down or write off any goodwill associated with such transactions. Our results for the fourth quarter of 2015 included a goodwill impairment charge of CHF 3,797 million, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000. We continue to have a significant amount of goodwill relating to this and other transactions recorded on our balance sheet that could result in additional goodwill impairment charges.

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

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

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

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

## RISKS FROM ESTIMATES AND VALUATIONS

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

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

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

## RISKS RELATING TO OFF-BALANCE SHEET ENTITIES

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

▸ Refer to "Off-balance sheet" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations for information on our transactions with and commitments to SPEs.

## COUNTRY AND CURRENCY EXCHANGE RISK

**Country risks may increase market and credit risks we face**

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

**We may face significant losses in emerging markets**

A key element of our new strategy is to scale up our private banking businesses in emerging market countries. Our implementation of that strategy will necessarily increase our already existing exposure to economic instability in those countries. We monitor these risks, seek diversity in the sectors in which we invest and emphasize client-driven business. Our efforts at limiting emerging market risk, however, may not always succeed. In addition, various emerging market countries, in particular China and Brazil during 2015, have experienced and may continue to experience severe economic and financial disruptions or slower economic growth than in prior years. The possible effects of any such disruptions may include an adverse impact on our businesses and increased volatility in financial markets generally.

**Currency fluctuations may adversely affect our results of operations**

We are exposed to risk from fluctuations in exchange rates for currencies, particularly the US dollar. In particular, a substantial portion of our assets and liabilities are denominated in currencies other than the Swiss franc, which is the primary currency of our financial reporting. Our capital is also stated in Swiss francs and we do not fully hedge our capital position against changes in currency exchange rates. Despite some weakening, the Swiss franc remained strong against the US dollar and euro in 2015.

In addition, on January 15, 2015, the SNB decided to discontinue the minimum exchange rate of CHF 1.20 per euro. As we incur a significant part of our expenses in Swiss francs while we generate a large proportion of our revenues in other currencies, our earnings are sensitive to changes in the exchange rates between the Swiss franc and other major currencies. Although we have implemented a number of measures designed to offset the impact of exchange rate fluctuations on our results of operations, the appreciation of the Swiss franc in particular and exchange rate

volatility in general have had an adverse impact on our results of operations and capital position in recent years and may have such an effect in the future.

## OPERATIONAL RISK

### We are exposed to a wide variety of operational risks, including information technology risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In general, although we have business continuity plans, our businesses face a wide variety of operational risks, including technology risk that stems from dependencies on information technology, third-party suppliers and the telecommunications infrastructure as well as from the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses. As a global financial services company, we rely heavily on our financial, accounting and other data processing systems, which are varied and complex. Our business depends on our ability to process a large volume of diverse and complex transactions, including derivatives transactions, which have increased in volume and complexity. We are exposed to operational risk arising from errors made in the execution, confirmation or settlement of transactions or in transactions not being properly recorded or accounted for. Regulatory requirements in this area have increased and are expected to increase further.

Information security, data confidentiality and integrity are of critical importance to our businesses. Despite our wide array of security measures to protect the confidentiality, integrity and availability of our systems and information, it is not always possible to anticipate the evolving threat landscape and mitigate all risks to our systems and information. We could also be affected by risks to the systems and information of clients, vendors, service providers, counterparties and other third parties. In addition, we may introduce new products or services or change processes, resulting in new operational risk that we may not fully appreciate or identify.

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

Given our global footprint and the high volume of transactions we process, the large number of clients, partners and counterparties with which we do business, and the increasing sophistication of cyber-attacks, a cyber-attack could occur without detection for an extended period of time. In addition, we expect that any investigation of a cyber-attack will be inherently unpredictable and it may take time before any investigation is complete. During such time, we may not know the extent of the harm or how best to remediate it and certain errors or actions may be repeated or compounded before they are discovered and rectified, all or any of which would further increase the costs and consequences of a cyber-attack.

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

### We may suffer losses due to employee misconduct

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

## RISK MANAGEMENT

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

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

## LEGAL AND REGULATORY RISKS

### Our exposure to legal liability is significant

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

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

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

It is inherently difficult to predict the outcome of many of the legal, regulatory and other adversarial proceedings involving our businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. Management is required to establish, increase or release reserves

for losses that are probable and reasonably estimable in connection with these matters.

▸ Refer to "Critical accounting estimates" in II – Operating and financial review and "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group for more information.

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

As a participant in the financial services industry, we are subject to extensive regulation by governmental agencies, supervisory authorities and self-regulatory organizations in Switzerland, the EU, the UK, the US and other jurisdictions in which we operate around the world. Such regulation is increasingly more extensive and complex and, in recent years, costs related to our compliance with these requirements and the penalties and fines sought and imposed on the financial services industry by regulatory authorities have all increased significantly and may increase further. These regulations often serve to limit our activities, including through the application of increased capital, leverage and liquidity requirements, customer protection and market conduct regulations and direct or indirect restrictions on the businesses in which we may operate or invest. Such limitations can have a negative effect on our business and our ability to implement strategic initiatives. To the extent we are required to divest certain businesses, we could incur losses, as we may be forced to sell such businesses at a discount, which in certain instances could be substantial, as a result of both the constrained timing of such sales and the possibility that other financial institutions are liquidating similar investments at the same time.

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

For example, the additional requirements related to minimum regulatory capital, leverage ratios and liquidity measures imposed by Basel III, together with more stringent requirements imposed by the Swiss "Too Big To Fail" legislation and its implementing ordinances and related actions by our regulators, have contributed to our decision to reduce risk-weighted assets and the size of our balance sheet, and could potentially impact our access to capital markets and increase our funding costs. In addition, the ongoing implementation in the US of the provisions of the Dodd-Frank Act, including the "Volcker Rule", derivatives regulation, and other regulatory developments described in "Regulation and supervision", have imposed, and will continue to impose, new regulatory burdens on certain of our operations. These requirements have contributed to our decision to exit certain businesses (including a number of our private equity businesses) and may lead us to exit other businesses. New CFTC and SEC rules could materially increase the operating costs, including compliance, information technology and related costs, associated with our derivatives businesses with US persons, while at the same time making it more difficult for us to transact derivatives business outside the US. Further, in 2014, the Fed adopted a final rule under the Dodd-Frank Act that created a new framework for regulation of the US operations of foreign banking organizations such as ours. Although the final impact of the new rule cannot be fully predicted at this time, it is expected to result in our incurring additional costs and to affect the way we conduct our business in the US, including by requiring us to create a single US intermediate holding company. Similarly, already enacted and possible future cross-border tax regulation with extraterritorial effect, such as the US Foreign Account Tax Compliance Act, bilateral tax treaties, such as Switzerland's treaties with the UK and Austria, and agreements on the automatic exchange of information in tax matters, impose detailed reporting obligations and increased compliance and systems-related costs on our businesses. Additionally, implementation of EMIR and its Swiss equivalent, FMIA, CRD IV and the proposed revisions to MiFID II may negatively affect our business activities. If Switzerland does not pass legislation that is deemed equivalent to MiFID II in a timely manner or if Swiss regulation already passed is not deemed equivalent to EMIR, Swiss banks, including us, may be limited from participating in businesses regulated by such laws. Finally, we expect that new or expected TLAC requirements, which are being finalized in many jurisdictions including Switzerland, the UK and the US, may increase our cost of funding and may restrict our ability to deploy capital and liquidity on a global basis as needed.

We expect the financial services industry, including us, to continue to be affected by the significant uncertainty over the scope and content of regulatory reform in 2016 and beyond. Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect our results of operations.

Despite our best efforts to comply with applicable regulations, a number of risks remain, particularly in areas where applicable regulations may be unclear or inconsistent among jurisdictions or where regulators revise their previous guidance or courts overturn previous rulings. Authorities in many jurisdictions have the power to bring administrative or judicial proceedings against us, which could result in, among other things, suspension or revocation of

our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially adversely affect our results of operations and seriously harm our reputation.

▸ Refer to "Regulation and supervision" for a description of our regulatory regime and a summary of some of the significant regulatory and government reform proposals affecting the financial services industry as well as to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

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

Pursuant to Swiss banking laws, FINMA has broad powers and discretion in the case of resolution proceedings with respect to a Swiss bank, such as Credit Suisse AG, and, since January 1, 2016, to a Swiss parent company of a financial group, such as Credit Suisse Group AG. These broad powers include the power to cancel Credit Suisse AG's or Credit Suisse Group AG's outstanding equity, convert debt instruments and other liabilities of Credit Suisse AG or Credit Suisse Group AG into equity and cancel such liabilities in whole or in part, and stay (for a maximum of two business days) certain rights under contracts, as well as order protective measures, including the deferment of payments, and institute liquidation proceedings. The scope of such powers and discretion and the legal mechanisms that would be utilized are subject to development and interpretation.

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

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

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

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

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

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

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

Under Swiss regulatory capital rules, we are required to issue a significant amount of contingent capital instruments, certain of which will convert into common equity upon the occurrence of specified triggering events, including our CET1 ratio falling below prescribed thresholds, or a determination by FINMA that conversion is necessary, or that we require extraordinary public sector capital support, to prevent us from becoming insolvent. As of December 31, 2015, we had 1,951,469,020 common shares outstanding and we had already issued in the aggregate an equivalent of CHF 8.6 billion in principal amount of such convertible contingent capital, and we may issue more such convertible contingent capital in the future. The conversion of some or all of our convertible contingent capital due to the occurrence of a triggering event will result in the dilution of the ownership interests of our then existing shareholders, which dilution could be substantial. Additionally, any conversion, or the anticipation of the possibility of a conversion, could depress the market price of our ordinary shares.

▸ Refer to "Banking relationships with Board and Executive Board members and related party transactions" in IV – Corporate Governance and Compensation – Corporate Governance for more information on the triggering events related to our convertible contingent capital instruments.

## COMPETITION

**We face intense competition**

We face intense competition in all financial services markets and for the products and services we offer. Consolidation through mergers, acquisitions, alliances and cooperation, including as a result of financial distress, has increased competitive pressures. Competition is based on many factors, including the products and services offered, pricing, distribution systems, customer service, brand recognition, perceived financial strength and the willingness to use capital to serve client needs. Consolidation has created a number of firms that, like us, have the ability to offer a wide range of products, from loans and deposit-taking to brokerage, investment banking and asset management services. Some of these firms may be able to offer a broader range of products than we do, or offer such products at more competitive prices. Current market conditions have resulted in significant changes in the

competitive landscape in our industry as many institutions have merged, altered the scope of their business, declared bankruptcy, received government assistance or changed their regulatory status, which will affect how they conduct their business. In addition, current market conditions have had a fundamental impact on client demand for products and services. We can give no assurance that our results of operations will not be adversely affected.

**Our competitive position could be harmed if our reputation is damaged**

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

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

**We must recruit and retain highly skilled employees**

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

**We face competition from new trading technologies**

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

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# Operating and financial review


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# Operating environment

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

## ECONOMIC ENVIRONMENT

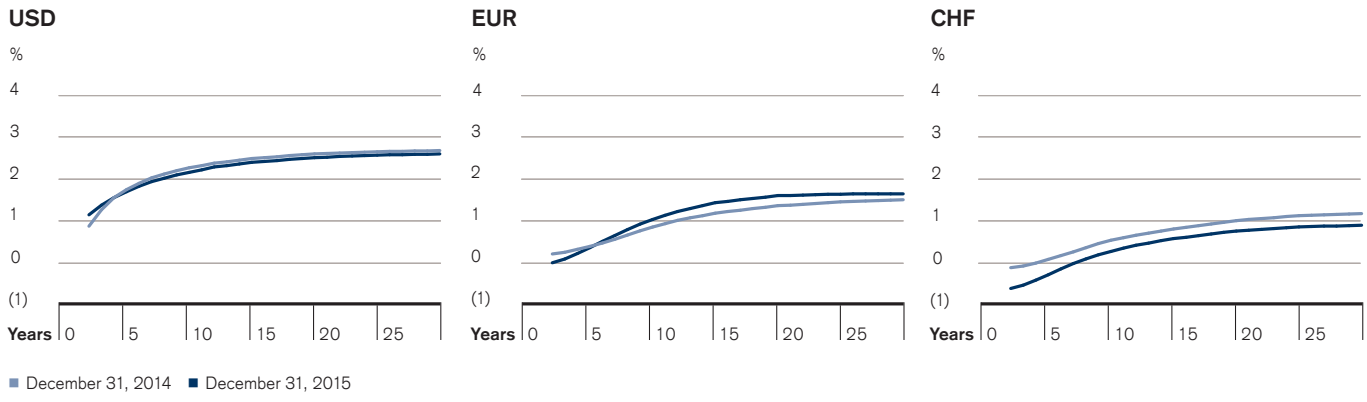
During 2015, the US economy continued to grow, driven mostly by the services sector and increased private consumption. The recovery of the residential housing and employment markets continued. Inflation remained low, driven by lower energy prices and the US dollar strength. Economic recovery in the eurozone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

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

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

### Yield curves

Yield curves remained at low levels in all major currencies.

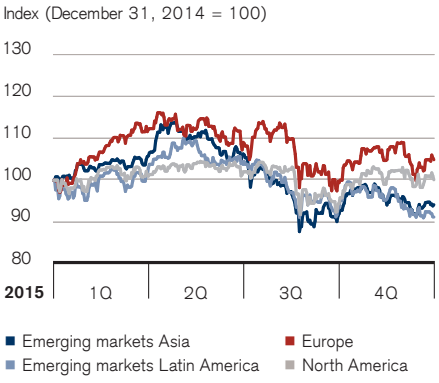



**Source:** Datastream, Credit Suisse

## Equity markets

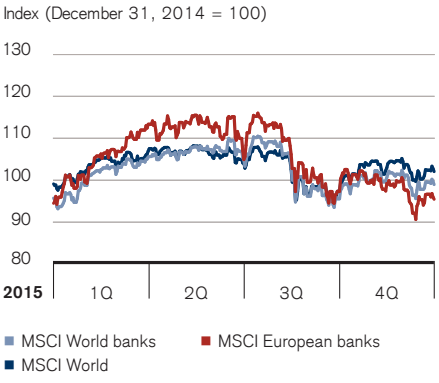
Equity markets closed slightly higher in 2015 with significant divergence across regions. Volatility increased especially in the third quarter. World banks underperformed global equity markets.

### Performance by region



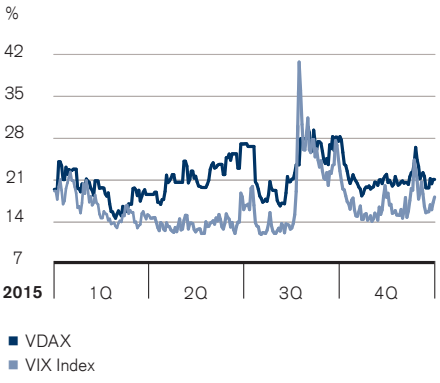

**Source:** Datastream, MSCI Barra, Credit Suisse

### Performance world banks




**Source:** Datastream, MSCI Barra, Credit Suisse

### Volatility




**Source:** Datastream, Credit Suisse

## Credit spreads

Credit spreads widened throughout the year.




**Source:** Bloomberg, Credit Suisse

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

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

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

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

### Market volumes (growth in % year on year)

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

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

## SECTOR ENVIRONMENT

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

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

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

# Credit Suisse

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

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

## Results

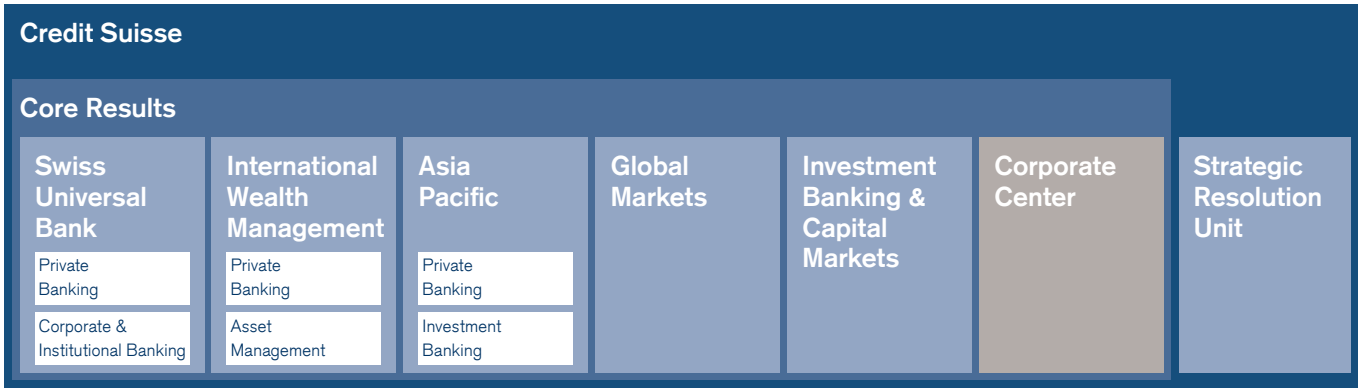
| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of operations (CHF million)** | | | | | |
| Net interest income | 9,299 | 9,034 | 8,115 | 3 | 11 |
| Commissions and fees | 12,044 | 13,051 | 13,226 | (8) | (1) |
| Trading revenues | 1,340 | 2,026 | 2,739 | (34) | (26) |
| Other revenues | 1,114 | 2,131 | 1,776 | (48) | 20 |
| **Net revenues** | **23,797** | **26,242** | **25,856** | (9) | 1 |
| **Provision for credit losses** | **324** | **186** | **167** | 74 | 11 |
| Compensation and benefits | 11,546 | 11,334 | 11,256 | 2 | 1 |
| General and administrative expenses | 8,574 | 9,534 | 8,587 | (10) | 11 |
| Commission expenses | 1,623 | 1,561 | 1,738 | 4 | (10) |
| Goodwill impairment | 3,797 | 0 | 12 | – | (100) |
| Restructuring expenses | 355 | – | – | – | – |
| Total other operating expenses | 14,349 | 11,095 | 10,337 | 29 | 7 |
| **Total operating expenses** | **25,895** | **22,429** | **21,593** | 15 | 4 |
| **Income/(loss) from continuing operations before taxes** | **(2,422)** | **3,627** | **4,096** | – | (11) |
| Income tax expense | 523 | 1,405 | 1,276 | (63) | 10 |
| **Income/(loss) from continuing operations** | **(2,945)** | **2,222** | **2,820** | – | (21) |
| Income from discontinued operations | 0 | 102 | 145 | (100) | (30) |
| **Net income/(loss)** | **(2,945)** | **2,324** | **2,965** | – | (22) |
| Net income/(loss) attributable to noncontrolling interests | (1) | 449 | 639 | – | (30) |
| **Net income/(loss) attributable to shareholders** | **(2,944)** | **1,875** | **2,326** | – | (19) |
| of which from continuing operations | (2,944) | 1,773 | 2,181 | – | (19) |
| of which from discontinued operations | 0 | 102 | 145 | (100) | (30) |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | (4.5) | 6.3 | – | – | – |
| Cost/income ratio | 108.8 | 85.5 | 83.5 | – | – |
| Effective tax rate | (21.6) | 38.7 | 31.2 | – | – |
| **Earnings per share (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | (1.73) | 0.99 | 1.10 | – | (10) |
| Diluted earnings/(loss) per share from continuing operations | (1.73) | 0.98 | 1.10 | – | (11) |
| **Return on equity (%)** | | | | | |
| Return on equity attributable to shareholders | (6.8) | 4.4 | 5.7 | – | – |
| Return on tangible equity attributable to shareholders [1] | (8.4) | 5.4 | 7.2 | – | – |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 820,805 | 921,462 | 872,806 | (11) | 6 |
| Risk-weighted assets [2] | 289,946 | 284,248 | 266,103 | 2 | 7 |
| Leverage exposure [2] | 987,628 | 1,149,656 | – | (14) | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 48,200 | 45,800 | 46,000 | 5 | 0 |

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

[2] Disclosed on a look-through basis.

## Credit Suisse reporting structure

Credit Suisse includes the results of our six reporting segments, including the Strategic Resolution Unit, and the Corporate Center. Core Results do not include revenues and expenses from our Strategic Resolution Unit.




### STRATEGY UPDATE

On October 21, 2015, we announced that the Board of Directors had resolved to introduce a comprehensive package of measures setting the new strategic direction, structure and organization of the Group. We serve our clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with our strategic direction. With the introduction of the Strategic Resolution Unit, the concept of strategic and non-strategic results was retired. A simplified Corporate Center includes overall costs of corporate functions, providing transparency of the pre- and post-allocated view of these costs.

▸ Refer to "Strategy" in I – Information on the company for further information on the new strategy and the organizational structure.

### RESULTS SUMMARY

#### Full-year 2015 results

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

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

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

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

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

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

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

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

### Full-year 2014 results

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

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

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

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

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

## EMPLOYEES

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

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

### Number of employees

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

## Overview of Results

| in / end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,563** | **4,394** | **3,839** | **7,391** | **1,752** | **445** | **23,384** | **413** | **23,797** |
| **Provision for credit losses** | **138** | **3** | **35** | **13** | **3** | **0** | **192** | **132** | **324** |
| Compensation and benefits | 1,915 | 2,044 | 1,557 | 3,418 | 1,266 | 329 | 10,529 | 1,017 | 11,546 |
| Total other operating expenses | 1,851 | 1,638 | 1,870 | 5,904 | 836 | 476 | 12,575 | 1,774 | 14,349 |
| of which goodwill impairment | 0 | 0 | 756 | 2,661 | 380 | 0 | 3,797 | 0 | 3,797 |
| of which restructuring expenses | 39 | 33 | 3 | 105 | 22 | – | 202 | 153 | 355 |
| **Total operating expenses** | **3,766** | **3,682** | **3,427** | **9,322** | **2,102** | **805** | **23,104** | **2,791** | **25,895** |
| **Income/(loss) before taxes** | **1,659** | **709** | **377** | **(1,944)** | **(353)** | **(360)** | **88** | **(2,510)** | **(2,422)** |
| Return on regulatory capital | 13.8 | 15.5 | 6.7 | (10.0) | (15.0) | – | 0.2 | (28.2) | (4.5) |
| Cost/income ratio | 67.7 | 83.8 | 89.3 | 126.1 | 120.0 | – | 98.8 | – | 108.8 |
| Total assets | 218,306 | 94,033 | 85,929 | 262,201 | 19,800 | 62,872 | 743,141 | 77,664 | 820,805 |
| Goodwill | 567 | 1,549 | 1,522 | 531 | 639 | 0 | 4,808 | 0 | 4,808 |
| Risk-weighted assets [1] | 59,869 | 32,407 | 27,624 | 73,706 | 17,824 | 16,878 | 228,308 | 61,638 | 289,946 |
| Leverage exposure [1] | 235,700 | 99,112 | 98,698 | 313,315 | 42,861 | 59,723 | 849,409 | 138,219 | 987,628 |
| **2014 (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,721** | **4,751** | **3,335** | **8,613** | **2,106** | **548** | **25,074** | **1,168** | **26,242** |
| **Provision for credit losses** | **94** | **12** | **40** | **7** | **(2)** | **2** | **153** | **33** | **186** |
| Compensation and benefits | 1,835 | 2,138 | 1,425 | 3,332 | 1,188 | 334 | 10,252 | 1,082 | 11,334 |
| Total other operating expenses | 1,816 | 1,389 | 970 | 2,617 | 412 | 265 | 7,469 | 3,626 | 11,095 |
| **Total operating expenses** | **3,651** | **3,527** | **2,395** | **5,949** | **1,600** | **599** | **17,721** | **4,708** | **22,429** |
| **Income/(loss) before taxes** | **1,976** | **1,212** | **900** | **2,657** | **508** | **(53)** | **7,200** | **(3,573)** | **3,627** |
| Return on regulatory capital | 16.5 | 27.0 | 13.1 | 14.0 | 26.2 | – | 15.5 | (32.6) | 6.3 |
| Cost/income ratio | 63.8 | 74.2 | 71.8 | 69.1 | 76.0 | – | 70.7 | – | 85.5 |
| Total assets | 213,888 | 92,466 | 105,574 | 365,580 | 14,928 | 21,562 | 813,998 | 107,464 | 921,462 |
| Goodwill | 570 | 1,557 | 2,290 | 3,205 | 1,022 | 0 | 8,644 | 0 | 8,644 |
| Risk-weighted assets [1] | 57,291 | 31,471 | 27,139 | 73,280 | 13,870 | 16,125 | 219,176 | 65,072 | 284,248 |
| Leverage exposure [1] | 238,856 | 84,369 | 137,843 | 412,316 | 42,017 | 15,180 | 930,581 | 219,075 | 1,149,656 |
| **2013 (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,612** | **4,929** | **3,018** | **8,974** | **2,014** | **(321)** | **24,226** | **1,630** | **25,856** |
| **Provision for credit losses** | **71** | **8** | **(7)** | **17** | **0** | **1** | **90** | **77** | **167** |
| Compensation and benefits | 2,066 | 2,149 | 1,326 | 3,271 | 1,056 | 238 | 10,106 | 1,150 | 11,256 |
| Total other operating expenses | 1,735 | 1,555 | 947 | 2,674 | 377 | 88 | 7,376 | 2,961 | 10,337 |
| **Total operating expenses** | **3,801** | **3,704** | **2,273** | **5,945** | **1,433** | **326** | **17,482** | **4,111** | **21,593** |
| **Income/(loss) before taxes** | **1,740** | **1,217** | **752** | **3,012** | **581** | **(648)** | **6,654** | **(2,558)** | **4,096** |
| Cost/income ratio | 67.7 | 75.1 | 75.3 | 66.2 | 71.2 | – | 72.2 | – | 83.5 |
| Total assets | 186,122 | 80,336 | 98,672 | 359,563 | 6,662 | 32,979 | 764,334 | 108,472 | 872,806 |
| Goodwill | 541 | 1,443 | 2,118 | 2,953 | 944 | 0 | 7,999 | 0 | 7,999 |
| Risk-weighted assets [1] | 51,777 | 26,302 | 22,349 | 73,300 | 11,210 | 15,298 | 200,236 | 65,867 | 266,103 |

[1] Disclosed on a look-through basis.

## INFORMATION AND DEVELOPMENTS

### Format of presentation

In managing the business, revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense from financing and hedging positions. For this reason, individual revenue categories may not be indicative of performance.

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

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

Return on regulatory capital is calculated using income after tax and assumes a tax rate of 30% and capital allocated based on the worst of 10% of average risk-weighted assets and 3.5% of average leverage exposure. For 2014 calculations, end of period risk-weighted assets and leverage exposure were used.

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

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

### Capital increase

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

### Capital distribution proposal

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

### Compensation and benefits

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

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

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

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

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

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

## Allocations and funding

### Revenue sharing and cost allocation

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

The aim of revenue-sharing and service level agreements is to reflect the pricing structure of unrelated third-party transactions.

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

### Funding

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

▸ Refer to "Funding" in V – Consolidated financial statements – Credit Suisse Group – Note 5 – Segment information for further information.

## Fair valuations

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

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group for further information.

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

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

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

As of the end of 2015, 43% and 27% of our total assets and total liabilities, respectively, were measured at fair value.

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

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 31.5 billion, compared to CHF 35.5 billion as of the end of 2014. As of the end of 2015, these assets comprised 4% of total assets and 9% of total assets measured at fair value, both adjusted on the same basis, compared to 4% and 8%, respectively, as of the end of 2014.

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

## EVOLUTION OF LEGAL ENTITY STRUCTURE

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

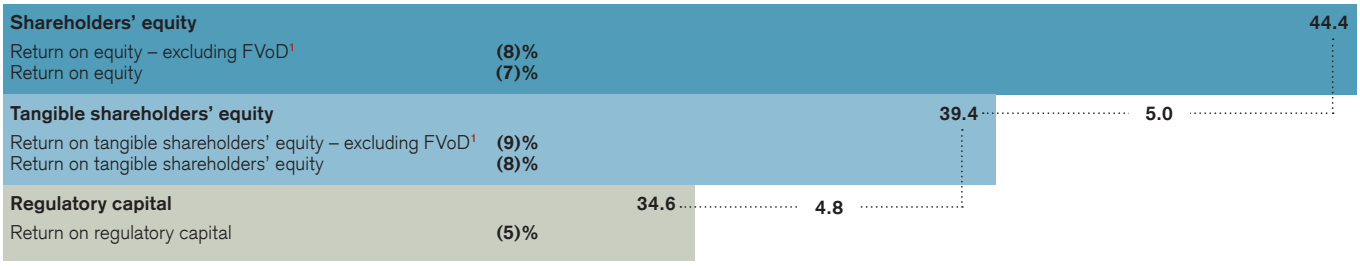
- In April 2015, we incorporated a new Swiss legal entity, Credit Suisse (Schweiz) AG, a wholly-owned subsidiary of Credit Suisse AG and registered it in the Commercial Register of the Canton of Zurich. We have applied for a Swiss banking license and expect that this entity, which will largely include the business of the Swiss Universal Bank division, will become operational in the second half of 2016, pending regulatory approval, including FINMA. The new legal entity structure in Switzerland is not expected to significantly impact either our current business proposition nor our client servicing model. Credit Suisse (Schweiz) AG will provide clients with access to high-quality services, the entire product offering and the comprehensive expertise of our global bank. Both Credit Suisse AG and Credit Suisse (Schweiz) AG are expected to be licensed Swiss banks and subject to the specific Swiss requirements for systemically relevant banks with respect to capital adequacy, liquidity and risk diversification. The same rules on depositor protection and segregation of custody assets will apply to both;
- In 2015, USD 15 billion of senior unsecured bail-in instruments were issued that we expect will be eligible for future capital treatment under total loss-absorbing capacity (TLAC) rules proposed by the Financial Stability Board to facilitate a Single Point of Entry bail-in resolution strategy. To comply with the current Swiss tax withholding regime, this bail-in debt was issued by a wholly-owned subsidiary of the Group and is guaranteed by the Group;
- In December 2015, we received regulatory approval from the Central Bank of Ireland to operate a branch of Credit Suisse AG in Dublin. The newly established branch will become our primary hub for prime services business in Europe.

The legal entity program has been prepared in discussion with FINMA, our primary regulator, and other regulators and will address regulations in Switzerland, the US and the UK with respect to future requirements for global recovery and resolution planning by systemically relevant banks, such as Credit Suisse, that will facilitate resolution of an institution in the event of a failure. We expect these changes will result in a less complex entity structure for the Group. The program has been approved by the Board of Directors of the Group, but it remains subject to final approval by FINMA and other regulators.

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

Credit Suisse measures firm-wide returns against total shareholders' equity and tangible shareholders' equity. In addition, it also measures the efficiency of the firm and its divisions with regards to the usage of capital as determined by the minimum requirements set by regulators. This regulatory capital is calculated as the worst of 10% of risk-weighted assets and 3.5% of the leverage exposure. These percentages are used in the calculation in order to reflect the 2019 fully phased in Swiss regulatory minimum requirements for Basel III CET1 capital and leverage ratio.

End of / in 2015 (CHF billion, except where indicated)




[1] Excludes impact from fair value on own debt (FVoD) of CHF 298 million.

## CORE RESULTS

### Full-year 2015 results

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

### Full-year 2014 results

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

## Credit Suisse and Core Results

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

[1] Disclosed on a look-through basis.

## Core Results by business activity

| in 2015 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Corporate Center | **Core Results** |
|---|---|---|---|---|---|---|---|
| **Related to private banking (CHF million)** | | | | | | | |
| Net revenues | 3,633 | 3,066 | 1,178 | – | – | – | 7,877 |
| of which net interest income | 1,770 | 1,006 | 445 | – | – | – | 3,221 |
| of which recurring | 1,102 | 1,161 | 260 | – | – | – | 2,523 |
| of which transaction-based | 657 | 891 | 456 | – | – | – | 2,004 |
| Provision for credit losses | 49 | 3 | 18 | – | – | – | 70 |
| Total operating expenses | 2,715 | 2,537 | 816 | – | – | – | 6,068 |
| **Income before taxes** | **869** | **526** | **344** | **–** | **–** | **–** | **1,739** |
| **Related to corporate & institutional banking (CHF million)** | | | | | | | |
| Net revenues | 1,930 | – | – | – | – | – | 1,930 |
| of which net interest income | 987 | – | – | – | – | – | 987 |
| of which recurring | 467 | – | – | – | – | – | 467 |
| of which transaction-based | 498 | – | – | – | – | – | 498 |
| Provision for credit losses | 89 | – | – | – | – | – | 89 |
| Total operating expenses | 1,051 | – | – | – | – | – | 1,051 |
| **Income before taxes** | **790** | **–** | **–** | **–** | **–** | **–** | **790** |
| **Related to investment banking (CHF million)** | | | | | | | |
| Net revenues | – | – | 2,661 | 7,391 | 1,752 | – | 11,804 |
| of which fixed income sales and trading | – | – | 608 | 3,815 | – | – | 4,423 |
| of which equity sales and trading | – | – | 1,872 | 2,787 | – | – | 4,659 |
| of which underwriting and advisory | – | – | 292 | 994 | 1,933 | – | 3,219 |
| Provision for credit losses | – | – | 17 | 13 | 3 | – | 33 |
| Total operating expenses | – | – | 2,611 | 9,322 | 2,102 | – | 14,035 |
| **Income/(loss) before taxes** | **–** | **–** | **33** | **(1,944)** | **(353)** | **–** | **(2,264)** |
| **Related to asset management (CHF million)** | | | | | | | |
| Net revenues | – | 1,328 | – | – | – | – | 1,328 |
| Provision for credit losses | – | 0 | – | – | – | – | 0 |
| Total operating expenses | – | 1,145 | – | – | – | – | 1,145 |
| **Income before taxes** | **–** | **183** | **–** | **–** | **–** | **–** | **183** |
| **Related to corporate center (CHF million)** | | | | | | | |
| Net revenues | – | – | – | – | – | 445 | 445 |
| Provision for credit losses | – | – | – | – | – | 0 | 0 |
| Total operating expenses | – | – | – | – | – | 805 | 805 |
| **Loss before taxes** | **–** | **–** | **–** | **–** | **–** | **(360)** | **(360)** |
| **Total (CHF million)** | | | | | | | |
| Net revenues | 5,563 | 4,394 | 3,839 | 7,391 | 1,752 | 445 | 23,384 |
| Provision for credit losses | 138 | 3 | 35 | 13 | 3 | 0 | 192 |
| Total operating expenses | 3,766 | 3,682 | 3,427 | 9,322 | 2,102 | 805 | 23,104 |
| **Income/(loss) before taxes** | **1,659** | **709** | **377** | **(1,944)** | **(353)** | **(360)** | **88** |

## DIFFERENCES BETWEEN GROUP AND BANK

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

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

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

### Differences between Group and Bank businesses

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

### Comparison of consolidated statements of operations

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

### Comparison of consolidated balance sheets

| | Group | | Bank | |
|---|---|---|---|---|
| end of | **2015** | 2014 | **2015** | 2014 |
| **Balance sheet statistics (CHF million)** | | | | |
| Total assets | 820,805 | 921,462 | 803,931 | 904,849 |
| Total liabilities | 775,787 | 876,461 | 759,241 | 860,208 |

## Capitalization and indebtedness

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

## BIS capital metrics

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

## Dividends of the Bank to the Group

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

The Bank's total share capital is fully paid and consisted of 4,399,680,200 registered shares as of December 31, 2015 and 2014, respectively.
[1] Dividends are determined in accordance with Swiss law and the Bank's articles of incorporation.
[2] In 2013, 2012 and 2011, dividends per share issued were CHF 0.00, CHF 0.23 and CHF 0.23, respectively.
[3] Proposal of the Board of Directors to the annual general meeting of the Bank for a dividend of CHF 10 million.

# Swiss Universal Bank

In 2015, we reported income before taxes of CHF 1,659 million and net revenues of CHF 5,563 million.

Income before taxes decreased 16% compared to 2014, reflecting slightly lower net revenues, slightly higher total operating expenses and higher provision for credit losses.

## Divisional results

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

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

## Divisional results (continued)

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

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

### RESULTS SUMMARY

#### Full-year 2015 results

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

#### Full-year 2014 results

In 2014, Swiss Universal Bank reported income before taxes of CHF 1,976 million and net revenues of CHF 5,721 million. Compared to 2013, net revenues increased slightly, mainly driven by larger gains from the sale of real estate and a gain related to the partial sale of our investment in Euroclear, partially offset by lower net interest income and lower transaction-based revenues. The decrease in net interest income reflected significantly lower deposit margins on higher average deposit volumes, partially offset by stable loan margins on slightly higher average loan volumes. The decrease in transaction-based revenues reflected lower brokerage and product issuing fees and lower fees from foreign exchange client business, partially offset by higher corporate advisory fees related to integrated solutions. Provision for credit losses was CHF 94 million in 2014 on a net loan portfolio of CHF 164.8 billion. Total operating expenses decreased with lower compensation expenses reflecting lower salary expenses and pension expenses, partially offset by higher general and administrative expenses reflecting higher professional expenses and contractor services fees.

### Capital and leverage metrics

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

### Business developments

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

## PRIVATE BANKING

### Results – Private Banking

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

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

## RESULTS

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

### Net interest income

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

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

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

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

### Recurring commissions and fees

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

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

**2014 vs 2013: Stable at CHF 1,219 million**

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

### Transaction-based revenues

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

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

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

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

### Other revenues

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

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

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

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

### Provision for credit losses

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

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

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

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

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

### Compensation and benefits

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

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

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

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

### General and administrative expenses

**2015 vs 2014: Stable at CHF 1,198 million**

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

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

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

## MARGINS

### Gross margin

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

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

### Net margin

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

## ASSETS UNDER MANAGEMENT

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

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

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

### Assets under management – Private Banking

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

## CORPORATE & INSTITUTIONAL BANKING

### Results – Corporate & Institutional Banking

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

## RESULTS

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

### Net interest income

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

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

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

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

### Recurring commissions and fees

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

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

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

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

### Transaction-based revenues

**2015 vs 2014: Stable at CHF 498 million**

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

**2014 vs 2013: Stable CHF 497 million**

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

### Provision for credit losses

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

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

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

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

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

### Compensation and benefits

**2015 vs 2014: Stable at CHF 616 million**

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

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

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

### General and administrative expenses

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

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

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

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

## ASSETS UNDER MANAGEMENT

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

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

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

# International Wealth Management

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

Income before taxes decreased 42% compared to 2014, reflecting lower revenues primarily in Asset Management and higher total operating expenses primarily in Private Banking due to higher litigation provisions and restructuring expenses in connection with the implementation of the new strategy.

## Divisional results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **4,394** | **4,751** | **4,929** | (8) | (4) |
| **Provision for credit losses** | **3** | **12** | **8** | (75) | 50 |
| Compensation and benefits | 2,044 | 2,138 | 2,149 | (4) | (1) |
| General and administrative expenses | 1,373 | 1,107 | 1,214 | 24 | (9) |
| Commission expenses | 232 | 282 | 341 | (18) | (17) |
| Restructuring expenses | 33 | – | – | – | – |
| Total other operating expenses | 1,638 | 1,389 | 1,555 | 18 | (11) |
| **Total operating expenses** | **3,682** | **3,527** | **3,704** | 4 | (5) |
| **Income before taxes** | **709** | **1,212** | **1,217** | (42) | 0 |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | 15.5 | 27.0 | – | – | – |
| Cost/income ratio | 83.8 | 74.2 | 75.1 | – | – |
| **Economic risk capital and return** | | | | | |
| Average economic risk capital (CHF million) | 4,076 | 3,930 | 4,099 | 4 | (4) |
| Pre-tax return on average economic risk capital (%) [1] | 18.1 | 31.7 | 30.6 | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 9,100 | 8,700 | 8,700 | 5 | 0 |

[1] Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Net revenues (CHF million)** | | | | | |
| Private Banking | 3,066 | 3,127 | 3,129 | (2) | 0 |
| Asset Management | 1,328 | 1,624 | 1,800 | (18) | (10) |
| **Net revenues** | **4,394** | **4,751** | **4,929** | (8) | (4) |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 1,006 | 904 | 960 | 11 | (6) |
| Recurring commissions and fees | 1,965 | 2,232 | 2,222 | (12) | 0 |
| Transaction- and performance-based revenues | 1,449 | 1,554 | 1,764 | (7) | (12) |
| Other revenues | (26) | 61 | (17) | – | – |
| **Net revenues** | **4,394** | **4,751** | **4,929** | (8) | (4) |
| **Provision for credit losses (CHF million)** | | | | | |
| New provisions | 37 | 18 | 27 | 106 | (33) |
| Releases of provisions | (34) | (6) | (19) | 467 | (68) |
| **Provision for credit losses** | **3** | **12** | **8** | (75) | 50 |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 94,033 | 92,466 | 80,336 | 2 | 15 |
| Net loans | 39,464 | 38,702 | – | 2 | – |
| Risk-weighted assets | 32,407 | 31,471 | 26,302 | 3 | 20 |
| Leverage exposure | 99,112 | 84,369 | – | 17 | – |

## RESULTS SUMMARY

### Full-year 2015 results

In 2015, International Wealth Management reported income before taxes of CHF 709 million and net revenues of CHF 4,394 million. Compared to 2014, net revenues decreased, with lower asset management fees following the change in fund management from Hedging-Griffo to a new venture in Brazil, Verde Asset Management, in which we have a significant investment, significantly lower performance fees and carried interest and lower other revenues, partially offset by higher net interest income. The decrease in other revenues primarily reflected a gain on the sale of the local affluent and upper affluent business in Italy recognized in the fourth quarter of 2014. Higher net interest income reflected slightly higher loan margins on higher average loan volumes, partially offset by lower deposit margins on higher average deposit volumes. Provision for credit losses was CHF 3 million in 2015 on a net loan portfolio of CHF 39.5 billion. Total operating expenses increased, reflecting higher litigation provisions and restructuring expenses, partially offset by lower discretionary compensation expenses.

### Full-year 2014 results

In 2014, International Wealth Management reported income before taxes of CHF 1,212 million and net revenues of CHF 4,751 million. Compared to 2013, net revenues decreased with significantly lower performance fees and carried interest and lower net interest income, partially offset by higher other revenues. Lower net interest income reflected significantly lower deposit margins on stable average deposit volumes, partially offset by slightly lower loan margins on higher average loan volumes. The increase in other revenues reflected the gain on the sale of the local affluent and upper affluent business in Italy, the partial sale of an investment in Euroclear and a lower impairment related to Asset Management Finance LLC (AMF). Provision for credit losses was CHF 12 million on a net loan portfolio of CHF 38.7 billion. Total operating expenses decreased primarily due to lower general and administrative expenses.

### Capital and leverage metrics

At the end of 2015, International Wealth Management reported risk-weighted assets of CHF 32.4 billion, an increase of CHF 0.9 billion compared to the end of 2014. Leverage exposure was CHF 99.1 billion, an increase of 17% compared to the end of 2014, mainly due to a change in the regulatory scope of consolidation.

## PRIVATE BANKING

### Results – Private Banking

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **3,066** | **3,127** | **3,129** | (2) | 0 |
| **Provision for credit losses** | **3** | **12** | **8** | (75) | 50 |
| Compensation and benefits | 1,343 | 1,373 | 1,385 | (2) | (1) |
| General and administrative expenses | 996 | 755 | 857 | 32 | (12) |
| Commission expenses | 168 | 192 | 205 | (13) | (6) |
| Restructuring expenses | 30 | – | – | – | – |
| Total other operating expenses | 1,194 | 947 | 1,062 | 26 | (11) |
| **Total operating expenses** | **2,537** | **2,320** | **2,447** | 9 | (5) |
| **Income before taxes** | **526** | **795** | **674** | (34) | 18 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 82.7 | 74.2 | 78.2 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 1,006 | 904 | 960 | 11 | (6) |
| Recurring commissions and fees | 1,161 | 1,276 | 1,322 | (9) | (3) |
| Transaction- and performance-based revenues | 891 | 871 | 849 | 2 | 3 |
| Other revenues | 8 | 76 | (2) | (89) | – |
| **Net revenues** | **3,066** | **3,127** | **3,129** | (2) | 0 |
| **Margins on assets under management (bp)** | | | | | |
| Gross margin [1] | 102 | 101 | 103 | – | – |
| Net margin [2] | 17 | 26 | 22 | – | – |
| **Number of relationship managers** | | | | | |
| Number of relationship managers | 1,190 | 1,200 | 1,280 | (1) | (6) |

Net interest income includes a term spread credit on stable deposit funding and a term spread charge on loans. Recurring commissions and fees includes investment product management, discretionary mandate and other asset management-related fees, fees for general banking products and services and revenues from wealth structuring solutions. Transaction- and performance-based revenues arise primarily from brokerage and product issuing fees, fees from foreign exchange client transactions, trading and sales income, equity participations income and other transaction- and performance-based income.

[1] Net revenues divided by average assets under management.

[2] Income before taxes divided by average assets under management.

## RESULTS

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

### Net interest income

**2015 vs 2014: Up 11% from CHF 904 million to CHF 1,006 million**

Higher net interest income reflected slightly higher loan margins on higher average loan volumes, partially offset by lower deposit margins on higher average deposit volumes.

**2014 vs 2013: Down 6% from CHF 960 million to CHF 904 million**

Lower net interest income reflected significantly lower deposit margins on stable average deposit volumes, partially offset by slightly lower loan margins on higher average loan volumes.

### Recurring commissions and fees

**2015 vs 2014: Down 9% from CHF 1,276 million to CHF 1,161 million**

Recurring commissions and fees decreased, reflecting lower investment product management fees primarily from Hedging-Griffo, lower security account and custody services fees, a decline in banking services fees and included the impact of lower assets under management, partially offset by higher revenues from wealth structuring solutions.

**2014 vs 2013: Down 3% from CHF 1,322 million to CHF 1,276 million**

Recurring commissions and fees were slightly lower, reflecting lower investment product management fees and lower asset management fees, partially offset by increases in investment advisory fees and discretionary mandate management fees.

### Transaction- and performance-based revenues

**2015 vs 2014: Up 2% from CHF 871 million to CHF 891 million**

Transaction- and performance-based revenues increased slightly due to the extraordinary dividend from SIX Group and higher performance fees and sales and trading revenues, partially offset by lower brokerage and product issuing fees and lower corporate advisory fees related to integrated solutions.

**2014 vs 2013: Up 3% from CHF 849 million to CHF 871 million**

Transaction- and performance-based revenues increased slightly with higher corporate advisory fees related to integrated solutions and higher brokerage and product issuing fees, partially offset by lower performance fees and lower fees from foreign exchange client business.

### Other revenues

**2015 vs 2014: Down 89% from CHF 76 million to CHF 8 million**

The decrease in other revenues primarily reflected the gain of CHF 55 million on the sale of the local affluent and upper affluent business in Italy and a gain of CHF 22 million related to the partial sale of our investment in Euroclear in 2014. 2015 included a gain of CHF 11 million on the partial sale of our investment in Euroclear.

**2014 vs 2013: Up from CHF (2) million to CHF 76 million**

Higher other revenues in 2014 reflected the gain on the sale of the local affluent and upper affluent business in Italy and the gain related to the partial sale of our investment in Euroclear.

### Compensation and benefits

**2015 vs 2014: Down 2% from CHF 1,373 million to CHF 1,343 million**

Compensation and benefits were slightly lower, reflecting lower discretionary compensation expenses, partially offset by higher salary expenses due to a recalibration of Swiss holiday accruals.

**2014 vs 2013: Stable at CHF 1,373 million**

Compensation and benefits were stable, reflecting lower salary expenses, offset by higher deferred compensation expenses from prior-year awards.

### General and administrative expenses

**2015 vs 2014: Up 32% from CHF 755 million to CHF 996 million**

General and administrative expenses increased mainly driven by higher litigation provisions. Excluding significant litigation provisions of CHF 268 million in 2015 compared to CHF 51 million in 2014, general and administrative expenses increased slightly.

**2014 vs 2013: Down 12% from CHF 857 million to CHF 755 million**

Lower general and administrative expenses included lower travel and entertainment and lower occupancy expenses.

## MARGINS

### Gross margin

Our gross margin was 102 basis points in 2015, one basis point higher compared to 2014, mainly reflecting higher net interest income and a 2.6% decrease in average assets under management, partially offset by lower recurring commissions and fees and lower other revenues.

▸ Refer to "Assets under management" for further information.

### Net margin

Our net margin was 17 basis points in 2015, nine basis points lower compared to 2014, reflecting higher total operating expenses, lower recurring commissions and fees and lower other revenues, partially offset by higher net interest income and a 2.6% decrease in average assets under management. Excluding the gain on the sale of the local affluent and upper affluent business in Italy in 2014, the significant litigation provisions and the gains related to the partial sale of our investment in Euroclear in 2015 and 2014, our net margin was 27 basis points in 2015, two basis points higher compared to 2014.

## ASSETS UNDER MANAGEMENT

As of the end of **2015**, assets under management of CHF 289.6 billion were CHF 34.1 billion lower compared to the end of 2014, reflecting unfavorable foreign exchange-related movements, a reclassification of CHF 11.1 billion of assets under management to assets under custody within client assets due to the introduction of the updated assets under management policy in the third quarter of 2015 and net asset outflows of CHF 3.0 billion, partially offset by favorable market movements. The net asset outflows mainly reflected the impact of regularization and pricing changes on cash deposits.

▸ Refer to "Assets under management" in Assets under management for further information on the updated assets under management policy.

As of the end of **2014**, assets under management of CHF 323.7 billion were CHF 25.9 billion higher compared to the end of 2013, reflecting favorable foreign exchange-related and market movements and net new assets of CHF 7.3 billion. The net new assets reflected inflows across all our business regions.

## Assets under management – Private Banking

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Assets under management (CHF billion)** | | | | | |
| Assets under management | 289.6 | 323.7 | 297.8 | (10.5) | 8.7 |
| **Average assets under management (CHF billion)** | | | | | |
| Average assets under management | 301.3 | 309.4 | 303.5 | (2.6) | 1.9 |
| **Assets under management by currency (CHF billion)** | | | | | |
| USD | 137.4 | 148.8 | 128.8 | (7.7) | 15.5 |
| EUR | 88.5 | 99.2 | 97.6 | (10.8) | 1.6 |
| CHF | 22.4 | 23.2 | 22.8 | (3.4) | 1.8 |
| Other | 41.3 | 52.5 | 48.6 | (21.3) | 8.0 |
| **Assets under management** | **289.6** | **323.7** | **297.8** | (10.5) | 8.7 |
| **Growth in assets under management (CHF billion)** | | | | | |
| Net new assets | (3.0) | 7.3 | 10.3 | – | – |
| Other effects | (31.1) | 18.6 | (16.9) | – | – |
| of which market movements | 2.7 | 9.2 | 5.1 | – | – |
| of which foreign exchange | (18.9) | 13.5 | (6.8) | – | – |
| of which other | (14.9) | (4.1) | (15.2) | – | – |
| **Growth in assets under management** | **(34.1)** | **25.9** | **(6.6)** | – | – |
| **Growth in assets under management (%)** | | | | | |
| Net new assets | (0.9) | 2.5 | 3.4 | – | – |
| Other effects | (9.6) | 6.2 | (5.6) | – | – |
| **Growth in assets under management** | **(10.5)** | **8.7** | **(2.2)** | – | – |

## ASSET MANAGEMENT

### Results – Asset Management

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **1,328** | **1,624** | **1,800** | (18) | (10) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – |
| Compensation and benefits | 701 | 765 | 764 | (8) | 0 |
| General and administrative expenses | 377 | 352 | 357 | 7 | (1) |
| Commission expenses | 64 | 90 | 136 | (29) | (34) |
| Restructuring expenses | 3 | – | – | – | – |
| Total other operating expenses | 444 | 442 | 493 | 0 | (10) |
| **Total operating expenses** | **1,145** | **1,207** | **1,257** | (5) | (4) |
| **Income before taxes** | **183** | **417** | **543** | (56) | (23) |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 86.2 | 74.3 | 69.8 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Recurring commissions and fees | 804 | 956 | 900 | (16) | 6 |
| Transaction- and performance-based revenues | 558 | 683 | 915 | (18) | (25) |
| Other revenues | (34) | (15) | (15) | 127 | 0 |
| **Net revenues** | **1,328** | **1,624** | **1,800** | (18) | (10) |
| **Net revenue detail by type (CHF million)** | | | | | |
| Traditional investments | 537 | 543 | 579 | (1) | (6) |
| Alternative investments | 791 | 1,081 | 1,221 | (27) | (11) |
| **Net revenues** | **1,328** | **1,624** | **1,800** | (18) | (10) |

Recurring commissions and fees includes asset management-related fees. Transaction- and performance-based revenues arise primarily from performance-based fees related to assets under management and custody assets, placement fees, equity participations income, trading and sales income and other transaction- and performance-based income. Other revenues include investment-related gains and losses and equity participations and other gains and losses.

### RESULTS

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

#### Recurring commissions and fees

**2015 vs 2014: Down 16% from CHF 956 million to CHF 804 million**

Recurring commissions and fees decreased, reflecting the absence of asset management fees from Hedging-Griffo following the change in fund management from Hedging-Griffo to Verde Asset Management.

**2014 vs 2013: Up 6% from CHF 900 million to CHF 956 million**

Recurring commissions and fees increased, reflecting an increase in asset management fees mainly from alternative investments.

#### Transaction- and performance-based revenues

**2015 vs 2014: Down 18% from CHF 683 million to CHF 558 million**

Transaction- and performance-based revenues decreased, with significantly lower performance fees and carried interest and lower placement fees, partially offset by a significant increase in equity participations income.

**2014 vs 2013: Down 25% from CHF 915 million to CHF 683 million**

Transaction- and performance-based revenues decreased, with significantly lower performance fees, partially offset by a significant increase in equity participations income.

#### Other revenues

**2015 vs 2014: Down from CHF (15) million to CHF (34) million**

In 2015, we recognized investment-related losses in hedge fund investments, partially offset by an equity participation gain related to AMF.

**2014 vs 2013: Stable at CHF (15) million**

In 2014, we recognized a lower impairment related to AMF, offset by lower investment-related gains.

### Compensation and benefits

**2015 vs 2014: Down 8% from CHF 765 million to CHF 701 million**

Lower compensation and benefits reflected lower salary expenses, mainly driven by the change in fund management from Hedging-Griffo to Verde Asset Management and lower discretionary compensation expenses, partially offset by higher deferred compensation expenses from prior-year awards.

**2014 vs 2013: Stable at CHF 765 million**

Compensation and benefits were stable reflecting higher salary expenses, offset by lower deferred compensation expenses from prior-year awards.

### General and administrative expenses

**2015 vs 2014: Up 7% from CHF 352 million to CHF 377 million**

General and administrative expenses increased with higher professional services fees.

**2014 vs 2013: Stable at CHF 352 million**

General and administrative expenses were stable across most expense categories.

## ASSETS UNDER MANAGEMENT

As of the end of **2015**, assets under management of CHF 321.3 billion were CHF 16.1 billion higher compared to the end of 2014, reflecting net new assets of CHF 26.5 billion partially offset by unfavorable foreign exchange-related movements. Net new assets reflected inflows primarily from traditional products, including inflows from a joint venture in emerging markets and in index solutions and credit products.

As of the end of **2014**, assets under management of CHF 305.2 billion were CHF 35.1 billion higher compared to the end of 2013, reflecting favorable market and foreign exchange-related movements and net new assets of CHF 6.5 billion. The net new assets reflected inflows primarily from traditional products, including inflows from a joint venture in emerging markets and in index solutions and credit products, partially offset by outflows that resulted from the change in fund management from Hedging-Griffo to Verde Asset Management.

### Assets under management – Asset Management

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Assets under management (CHF billion)** | | | | | |
| Traditional investments | 239.9 | 223.8 | 193.5 | 7.2 | 15.7 |
| Alternative investments | 81.4 | 81.4 | 76.6 | – | 6.3 |
| **Assets under management** | **321.3** | **305.2** | **270.1** | 5.3 | 13.0 |
| **Average assets under management (CHF billion)** | | | | | |
| Average assets under management | 312.4 | 292.8 | 261.6 | 6.7 | 11.9 |
| **Assets under management by currency (CHF billion)** | | | | | |
| USD | 88.1 | 89.0 | 75.5 | (1.0) | 17.9 |
| EUR | 42.1 | 42.2 | 52.4 | (0.2) | (19.5) |
| CHF | 148.9 | 140.7 | 111.7 | 5.8 | 26.0 |
| Other | 42.2 | 33.3 | 30.5 | 26.7 | 9.2 |
| **Assets under management** | **321.3** | **305.2** | **270.1** | 5.3 | 13.0 |
| **Growth in assets under management (CHF billion)** | | | | | |
| Net new assets [1] | 26.5 | 6.5 | 15.9 | – | – |
| Other effects | (10.4) | 28.6 | 8.6 | – | – |
| of which market movements | 0.7 | 16.1 | 13.6 | – | – |
| of which foreign exchange | (8.0) | 9.3 | (5.5) | – | – |
| of which other | (3.1) | 3.2 | 0.5 | – | – |
| **Growth in assets under management** | **16.1** | **35.1** | **24.5** | – | – |
| **Growth in assets under management (%)** | | | | | |
| Net new assets | 8.7 | 2.4 | 6.5 | – | – |
| Other effects | (3.4) | 10.6 | 3.5 | – | – |
| **Growth in assets under management** | **5.3** | **13.0** | **10.0** | – | – |

[1] Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.

# Asia Pacific

In 2015, we reported income before taxes of CHF 377 million, including a goodwill impairment charge of CHF 756 million in Investment Banking, and net revenues of CHF 3,839 million.

Income before taxes decreased 58% compared to 2014, mainly reflecting higher total operating expenses, partially offset by higher net revenues reflecting a strong performance in 2015. Excluding the goodwill impairment charge, income before taxes was CHF 1,133 million in 2015.

## Divisional results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **3,839** | **3,335** | **3,018** | 15 | 11 |
| **Provision for credit losses** | **35** | **40** | **(7)** | (13) | – |
| Compensation and benefits | 1,557 | 1,425 | 1,326 | 9 | 7 |
| General and administrative expenses | 790 | 721 | 710 | 10 | 2 |
| Commission expenses | 321 | 249 | 237 | 29 | 5 |
| Goodwill impairment | 756 | – | – | – | – |
| Restructuring expenses | 3 | – | – | – | – |
| Total other operating expenses | 1,870 | 970 | 947 | 93 | 2 |
| **Total operating expenses** | **3,427** | **2,395** | **2,273** | 43 | 5 |
| **Income before taxes** | **377** | **900** | **752** | (58) | 20 |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | 6.7 | 13.1 | – | – | – |
| Cost/income ratio | 89.3 | 71.8 | 75.3 | – | – |
| **Economic risk capital and return** | | | | | |
| Average economic risk capital (CHF million) | 3,366 | 2,974 | 2,361 | 13 | 26 |
| Pre-tax return on average economic risk capital (%) [1] | 11.2 | 30.3 | 31.9 | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 6,700 | 5,900 | 5,500 | 14 | 7 |

[1] Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Net revenues (CHF million)** | | | | | |
| Private Banking | 1,178 | 1,037 | 964 | 14 | 8 |
| Investment Banking | 2,661 | 2,298 | 2,054 | 16 | 12 |
| **Net revenues** | **3,839** | **3,335** | **3,018** | 15 | 11 |
| **Provision for credit losses (CHF million)** | | | | | |
| New provisions | 74 | 50 | 11 | 48 | 355 |
| Releases of provisions | (39) | (10) | (18) | 290 | (44) |
| **Provision for credit losses** | **35** | **40** | **(7)** | (13) | – |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 85,929 | 105,574 | 98,672 | (19) | 7 |
| Net loans | 35,913 | 32,952 | – | 9 | – |
| Risk-weighted assets | 27,624 | 27,139 | 22,349 | 2 | 21 |
| Leverage exposure | 98,698 | 137,843 | – | (28) | – |

### RESULTS SUMMARY

#### Full-year 2015 results

In 2015, we reported income before taxes of CHF 377 million and net revenues of CHF 3,839 million. Compared to 2014, income before taxes decreased, reflecting higher total operating expenses, partially offset by higher net revenues reflecting a strong performance in 2015, particularly in equity sales and trading and from the ◌ UHNWI and ◌ HNWI client business. Higher revenues in equity sales and trading were driven by increased client activity and favorable trading conditions. Private Banking revenues were higher, reflecting increases in net interest income, transaction-based revenues and recurring commissions and fees. Lower fixed income sales and trading revenues were primarily driven by emerging markets, partially offset by an increase in global macro products. Underwriting and advisory revenues declined compared to strong 2014 results, which included a significant client transaction, driven by a slowdown in underwriting activity due to unfavorable market conditions. Compared to 2014, total operating expenses of CHF 3,427 million increased 43% reflecting the goodwill impairment charge in Investment Banking, increased compensation expenses driven by growth-related higher headcount, higher commission expenses and higher general and administrative expenses. Excluding the goodwill impairment charge, income before taxes was CHF 1,133 million in 2015.

#### Full-year 2014 results

In 2014, we reported income before taxes of CHF 900 million and net revenues of CHF 3,335 million. Compared to 2013, income before taxes increased 20% due to higher net revenues reflecting strong performance in 2014 in fixed income and equity sales and trading as well as from the UHNWI and HNWI client business, partially offset by higher operating expenses. Higher fixed income sales and trading revenues were primarily driven by emerging markets mainly from financing activities. Higher revenues in equity sales and trading were driven by high levels of client activity in derivatives, partially offset by lower revenues from systematic market making. Private Banking revenues were higher reflecting increases in transaction-based revenues and recurring commissions and fees, partially offset by lower net interest income. Compared to 2013, total operating expenses of CHF 2,395 million increased 5%, reflecting increased compensation expenses, partially related to growth-related higher headcount, higher commission expenses and higher general and administrative expenses.

#### Capital and leverage metrics

At the end of 2015, we reported risk-weighted assets of CHF 27.6 billion, an increase of CHF 0.5 billion compared to the end of 2014. Leverage exposure was CHF 98.7 billion, reflecting a decrease of 28% compared to the end of 2014. This decrease was primarily driven by business optimizations of the balance sheet during 2015, primarily in global macro and prime services products.

## PRIVATE BANKING

### Results – Private Banking

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **1,178** | **1,037** | **964** | 14 | 8 |
| **Provision for credit losses** | **18** | **4** | **1** | 350 | 300 |
| Compensation and benefits | 522 | 455 | 420 | 15 | 8 |
| General and administrative expenses | 244 | 228 | 244 | 7 | (7) |
| Commission expenses | 49 | 40 | 40 | 23 | – |
| Restructuring expenses | 1 | – | – | – | – |
| Total other operating expenses | 294 | 268 | 284 | 10 | (6) |
| **Total operating expenses** | **816** | **723** | **704** | 13 | 3 |
| **Income before taxes** | **344** | **310** | **259** | 11 | 20 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 69.3 | 69.7 | 73.0 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 445 | 389 | 402 | 14 | (3) |
| Recurring commissions and fees | 260 | 237 | 199 | 10 | 19 |
| Transaction-based revenues | 456 | 411 | 363 | 11 | 13 |
| Other revenues | 17 | 0 | 0 | – | – |
| **Net revenues** | **1,178** | **1,037** | **964** | 14 | 8 |
| **Margins on assets under management (bp)** | | | | | |
| Gross margin [1] | 79 | 76 | – | – | – |
| Net margin [2] | 23 | 23 | – | – | – |
| **Number of relationship managers** | | | | | |
| Number of relationship managers | 590 | 520 | 470 | 13 | 11 |

Net interest income includes a term spread credit on deposit funding and a term spread charge on loans. Recurring commissions and fees includes investment product management and discretionary mandate fees. Transaction-based revenues arise mainly from brokerage and product issuing fees, foreign exchange fees from client transactions and corporate advisory fees. Other revenues primarily include gains and losses on credit hedges that generally offset corresponding increases or releases of provision for credit losses.

[1] Net revenues divided by average assets under management.

[2] Income before taxes divided by average assets under management.

## RESULTS

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

### Net interest income

**2015 vs 2014: Up 14% from CHF 389 million to CHF 445 million**

The increase in net interest income reflected higher loan and deposit margins on higher average volumes.

**2014 vs 2013: Down 3% from CHF 402 million to CHF 389 million**

The decrease in net interest income reflected lower loan and deposit margins on higher average volumes.

### Recurring commissions and fees

**2015 vs 2014: Up 10% from CHF 237 million to CHF 260 million**

The increase in recurring commissions and fees reflected higher discretionary mandate management fees, wealth structuring solution fees and investment product management fees.

**2014 vs 2013: Up 19% from CHF 199 million to CHF 237 million**

The increase in recurring commissions and fees reflected higher investment advisory fees, discretionary mandate management fees and wealth structuring solution fees.

### Transaction-based revenues

**2015 vs 2014: Up 11% from CHF 411 million to CHF 456 million**

Higher transaction-based revenues reflected higher fees from the foreign exchange client business and higher brokerage and product issuing fees, partially offset by lower corporate advisory fees arising from integrated solutions.

**2014 vs 2013: Up 13% from CHF 363 million to CHF 411 million**
Higher transaction-based revenues reflected higher brokerage and product issuing fees and corporate advisory fees arising from integrated solutions, partially offset by lower fees from the foreign exchange client business.

### Provision for credit losses

The Private Banking loan portfolio is primarily comprised of lombard loans, mainly backed by listed securities.

**2015 vs 2014: Up 350% from CHF 4 million to CHF 18 million**
The increase in provision for credit losses reflected a small number of individual cases and was offset by gains from related credit hedges recorded in other revenues.

**2014 vs 2013: Up 300% from CHF 1 million to CHF 4 million**
Provision for credit losses in 2014 remained at a low level.

### Compensation and benefits

**2015 vs 2014: Up 15% from CHF 455 million to CHF 522 million**
Compensation and benefits increased driven by higher salaries and discretionary compensation reflecting growth-related higher headcount.

**2014 vs 2013: Up 8% from CHF 420 million to CHF 455 million**
Compensation and benefits increased driven by higher salaries and discretionary compensation reflecting growth-related higher headcount, and higher deferred compensation expenses from prior-year awards.

### General and administrative expenses

**2015 vs 2014: Up 7% from CHF 228 million to CHF 244 million**
General and administrative expenses increased mainly due to higher litigation provisions and other administrative and infrastructure expenses.

**2014 vs 2013: Down 7% from CHF 244 million to CHF 228 million**
General and administrative expenses decreased mainly due to lower litigation provisions.

## MARGINS

### Gross margin

Our gross margin was 79 basis points in 2015, three basis points higher compared to 2014, mainly reflecting higher net interest income, higher transaction-based revenues and higher recurring commissions and fees, partially offset by a 9.5% increase in average assets under management.

▸ Refer to "Assets under management" for further information.

### Net margin

Our net margin was 23 basis points in 2015, stable compared to 2014, mainly reflecting higher net interest income, higher transaction-based revenues and higher recurring commissions and fees, partially offset by higher total operating expenses and the 9.5% increase in average assets under management.

## ASSETS UNDER MANAGEMENT

As of the end of 2015, assets under management remained stable at CHF 150.4 billion compared to the end of 2014 as net new assets of CHF 17.8 billion were offset by a reclassification of CHF 9.1 billion assets under management to assets under custody within client assets due to the introduction of an updated assets under management policy in the third quarter of 2015 as well as unfavorable market and foreign exchange-related movements. Net new assets reflected inflows primarily from the Greater China and South East Asia markets.

▸ Refer to "Assets under management" in Assets under management for further information on the updated assets under management policy.

As of the end of 2014, assets under management of CHF 150.5 billion were CHF 29.2 billion higher compared to the end of 2013, reflecting net new assets of CHF 17.5 billion, favorable foreign exchange-related movements and positive market movements. Net new assets reflected inflows primarily from the Greater China and South East Asia markets.

## Assets under management – Private Banking

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Assets under management (CHF billion)** | | | | | |
| Assets under management | 150.4 | 150.5 | 121.3 | (0.1) | 24.1 |
| **Average assets under management (CHF billion)** | | | | | |
| Average assets under management | 150.0 | 137.0 | – | 9.5 | – |
| **Assets under management by currency (CHF billion)** | | | | | |
| USD | 66.5 | 57.9 | 44.1 | 14.9 | 31.3 |
| EUR | 4.7 | 5.4 | 4.8 | (13.0) | 12.5 |
| CHF | 2.3 | 2.0 | 2.2 | 15.0 | (9.1) |
| Other | 76.9 | 85.2 | 70.2 | (9.7) | 21.4 |
| **Assets under management** | **150.4** | **150.5** | **121.3** | (0.1) | 24.1 |
| **Growth in assets under management (CHF billion)** | | | | | |
| Net new assets | 17.8 | 17.5 | 11.8 | – | – |
| Other effects | (17.9) | 11.7 | (2.4) | – | – |
| of which market movements | (4.9) | 2.4 | 8.9 | – | – |
| of which currency | (3.4) | 10.4 | (7.0) | – | – |
| of which other | (9.6) | (1.1) | (4.3) | – | – |
| **Growth in assets under management** | **(0.1)** | **29.2** | **9.4** | – | – |
| **Growth in assets under management (%)** | | | | | |
| Net new assets | 11.8 | 14.4 | – | – | – |
| Other effects | (11.9) | 9.7 | – | – | – |
| **Growth in assets under management** | **(0.1)** | **24.1** | **–** | – | – |

# INVESTMENT BANKING

## Results – Investment Banking

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **2,661** | **2,298** | **2,054** | 16 | 12 |
| **Provision for credit losses** | **17** | **36** | **(8)** | (53) | – |
| Compensation and benefits | 1,035 | 970 | 906 | 7 | 7 |
| General and administrative expenses | 546 | 493 | 466 | 11 | 6 |
| Commission expenses | 272 | 209 | 197 | 30 | 6 |
| Goodwill impairment | 756 | – | – | – | – |
| Restructuring expenses | 2 | – | – | – | – |
| Total other operating expenses | 1,576 | 702 | 663 | 125 | 6 |
| **Total operating expenses** | **2,611** | **1,672** | **1,569** | 56 | 7 |
| **Income before taxes** | **33** | **590** | **493** | (94) | 20 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 98.1 | 72.8 | 76.4 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Fixed income sales and trading | 608 | 653 | 473 | (7) | 38 |
| Equity sales and trading | 1,872 | 1,383 | 1,295 | 35 | 7 |
| Underwriting and advisory | 292 | 397 | 394 | (26) | 1 |
| Other revenues | (111) | (135) | (108) | (18) | 25 |
| **Net revenues** | **2,661** | **2,298** | **2,054** | 16 | 12 |

Fixed income sales and trading includes global macro products, emerging markets trading and financing and credit. Equity sales and trading includes cash equities, derivatives, prime services and systematic market making. Underwriting and advisory includes debt and equity underwriting and advisory and other fees. Other revenues primarily include integrated solutions revenues paid to other businesses.

## RESULTS

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

### Fixed income sales and trading

**2015 vs 2014: Down 7% from CHF 653 million to CHF 608 million**

Lower fixed income sales and trading revenues were primarily driven by emerging markets mainly from financing activities, partially offset by an increase in global macro products driven by increased client activity.

**2014 vs 2013: Up 38% from CHF 473 million to CHF 653 million**

Higher fixed income sales and trading revenues were primarily driven by emerging markets mainly from financing activities driven by increased client activity.

### Equity sales and trading

**2015 vs 2014: Up 35% from CHF 1,383 million to CHF 1,872 million**

Higher equity sales and trading revenues reflected increased client activity and favorable trading conditions, primarily in derivatives and systematic market making.

**2014 vs 2013: Up 7% from CHF 1,295 million to CHF 1,383 million**

Higher equity sales and trading revenues reflected high levels of client activity, primarily in derivatives, partially offset by lower revenues from systematic market making.

### Underwriting and advisory

**2015 vs 2014: Down 26% from CHF 397 million to CHF 292 million**

Underwriting and advisory revenues decreased, reflecting declines in IPO and related follow-on activities, M&A transactions and the impact of a significant client transaction in 2014.

**2014 vs 2013: Stable at CHF 397 million**

Underwriting and advisory revenues were stable as revenues from a significant client transaction in 2014 were offset by lower debt underwriting revenues.

### Provision for credit losses

The Investment Banking loan portfolio is primarily comprised of secured and unsecured corporate loans.

**2015 vs 2014: Down 53% from CHF 36 million to CHF 17 million**

Provision for credit losses decreased mainly reflecting additional provisions on existing impaired loans in 2015 compared to new impaired loans in 2014.

**2014 vs 2013: Up from CHF (8) million to CHF 36 million**

The increase in provision for credit losses reflected a small number of individual cases.

### Compensation and benefits

**2015 vs 2014: Up 7% from CHF 970 million to CHF 1,035 million**

Compensation and benefits increased driven by higher deferred compensation expenses from prior-year awards and higher salaries and discretionary compensation reflecting growth-related higher headcount.

**2014 vs 2013: Up 7% from CHF 906 million to CHF 970 million**

Compensation and benefits increased driven by higher discretionary compensation and higher deferred compensation expenses from prior-year awards.

### General and administrative expenses

**2015 vs 2014: Up 11% from CHF 493 million to CHF 546 million**

General and administrative expenses increased, mainly due to higher litigation provisions, higher other administrative expenses and increased training and consulting expenses.

**2014 vs 2013: Up 6% from CHF 466 million to CHF 493 million**

General and administrative expenses increased, mainly due to higher other administrative expenses, partially offset by lower litigation provisions and lower occupancy expenses.

# Global Markets

In 2015, Global Markets reported a loss before taxes of CHF 1,944 million, including a goodwill impairment charge of CHF 2,661 million, and net revenues of CHF 7,391 million. Net revenues declined 14% compared to 2014, reflecting challenging trading conditions, low levels of client activity and decreased issuance activity.

## Divisional results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **7,391** | **8,613** | **8,974** | (14) | (4) |
| **Provision for credit losses** | **13** | **7** | **17** | 86 | (59) |
| Compensation and benefits | 3,418 | 3,332 | 3,271 | 3 | 2 |
| General and administrative expenses | 2,546 | 2,063 | 2,090 | 23 | (1) |
| Commission expenses | 592 | 554 | 584 | 7 | (5) |
| Goodwill impairment | 2,661 | 0 | 0 | – | – |
| Restructuring expenses | 105 | – | – | – | – |
| Total other operating expenses | 5,904 | 2,617 | 2,674 | 126 | (2) |
| **Total operating expenses** | **9,322** | **5,949** | **5,945** | 57 | – |
| **Income/(loss) before taxes** | **(1,944)** | **2,657** | **3,012** | – | (12) |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | (10.0) | 14.0 | – | – | – |
| Cost/income ratio | 126.1 | 69.1 | 66.2 | – | – |
| **Economic risk capital and return** | | | | | |
| Average economic risk capital (CHF million) | 13,248 | 12,146 | 10,705 | 9 | 13 |
| Pre-tax return on average economic risk capital (%) [1] | (14.0) | 22.7 | 29.1 | – | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | |
| Total assets | 262,201 | 365,580 | 359,563 | (28) | 2 |
| Risk-weighted assets | 73,706 | 73,280 | 73,300 | 1 | 0 |
| Risk-weighted assets (USD) | 74,514 | 74,048 | 82,373 | 1 | (10) |
| Leverage exposure | 313,315 | 412,316 | – | (24) | – |
| Leverage exposure (USD) | 316,752 | 416,639 | – | (24) | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 13,000 | 11,900 | 12,100 | 9 | (2) |

[1] Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

| | | | in | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Net revenue detail (CHF million)** | | | | | |
| Fixed income sales and trading | 3,815 | 4,743 | 4,692 | (20) | 1 |
| Equity sales and trading | 2,787 | 2,969 | 3,288 | (6) | (10) |
| Underwriting | 994 | 1,098 | 1,108 | (9) | (1) |
| Other | (205) | (197) | (114) | 4 | 73 |
| **Net revenues** | **7,391** | **8,613** | **8,974** | (14) | (4) |

### RESULTS SUMMARY

**Full-year 2015 results**

In 2015, we reported a loss before taxes of CHF 1,944 million, including the goodwill impairment charge of CHF 2,661 million, and net revenues of CHF 7,391 million. Net revenues declined 14% compared to 2014, reflecting challenging trading conditions, low levels of client activity and decreased issuance activity. Fixed income sales and trading revenues declined 20%, driven by mark-to-market losses across our yield businesses. Global credit products revenues declined, primarily due to mark-to-market losses on client inventory reflecting a significant deterioration in US high yield markets, particularly in the second half of the year. In addition, securitized products revenues declined compared to strong performance in 2014 as weakness in non-agency and agency results, in part due to mark-to-market losses on client inventory, offset significant revenue growth in our asset finance franchise. Emerging markets revenues declined, primarily due to lower client financing activity and weaker trading performance across all regions. These declines were partially offset by higher global macro products revenues as increased volatility led to improved client activity. Equity sales and trading revenues declined 6%, primarily due to lower cash equities results that reflected less favorable market conditions, particularly in Latin America where we have a strong market position. In addition, derivatives revenues declined slightly, reflecting lower fund-linked products performance. These declines were partially offset by higher systematic market making revenues, albeit from subdued levels in 2014. Prime services results increased slightly despite significantly reduced leverage exposure, reflecting continued progress on our client portfolio optimization strategy. Underwriting revenues declined 9%, primarily due to weak debt underwriting revenues, reflecting lower leveraged finance activity in the US. Equity underwriting results were stable compared to 2014. Total operating expenses were CHF 9,322 million, up 57% compared to 2014, and included the goodwill impairment charge of CHF 2,661 million. Compensation and benefits increased 3% to CHF 3,418 million, reflecting the foreign exchange impact of the strengthening of the US dollar against the Swiss Franc and higher salaries. In US dollars, compensation and benefits declined 3%, reflecting lower deferred compensation from prior year awards and lower discretionary compensation expenses.

**Full-year 2014 results**

In 2014, revenues reflected the recognition of funding valuation adjustments of CHF 108 million. Net revenues were down 4%, reflecting lower results in equity sales and trading that offset stable performance in fixed income sales and trading. Fixed income sales and trading revenues were stable compared to 2013 as continued momentum in our securitized products franchise offset lower global macro products and global credit products revenues. Equity sales and trading revenues declined 10%, across most products reflecting low volumes and volatility in the year and compared to a strong 2013 performance. Underwriting revenues were stable as strong equity underwriting issuance offset lower debt underwriting results. Total operating expenses of CHF 5,945 million were stable compared to 2013. Compensation and benefits increased 2% to CHF 3,332 million, reflecting higher deferred compensation expense from prior-year awards and higher salary expenses. Total other operating expenses were down 2% compared to 2013 reflecting lower commission expenses.

**Capital and leverage metrics**

At the end of 2015, Global Markets reported risk-weighted assets of USD 74.5 billion, an increase of USD 0.5 billion compared to the end of 2014. This increase was driven by uplifts from methodology and higher operational risk RWA partially offset by business reductions of USD 2 billion. Leverage exposure was USD 316.8 billion, reflecting a decrease of USD 99.9 billion compared to the end of 2014, due to our balance sheet reduction initiative.

## RESULTS DETAIL

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013. Share of wallet refers to our share of the overall fee pool for the respective products.

### Fixed income sales and trading

**2015 vs 2014: Down 20% from CHF 4,743 million to CHF 3,815 million**

Fixed income sales and trading revenues declined significantly, primarily driven by weak performance in our yield businesses, particularly global credit products and securitized products. During the second half of 2015, a significant widening in US high yield spreads, comparable to peak 2011 levels, resulted in reduced client activity and low levels of market liquidity. As a result, global credit products significantly declined primarily due to mark-to-market losses on client inventory, particularly in our US distressed high yield trading portfolio, as fund redemptions resulted in an accelerated market sell-off. In addition, securitized products revenues decreased significantly, driven by mark-to-market losses in non-agency collateralized loan obligations (CLO) and non-agency commercial mortgage-backed securities (CMBS). We also incurred mark-to-market losses in agency CMBS as swaps tightened in a difficult macro environment. Emerging markets revenues declined, reflecting weak performance across all regions, particularly in Latin America, and our financing business. Global macro products results increased, primarily due to improved US rates performance from increased client activity following the US Federal Reserve rate hike.

**2014 vs 2013: Stable at CHF 4,743 million**

Fixed income sales and trading revenues were stable, primarily driven by strong performance in securitized products, reflecting growth across trading and origination from our efforts to diversify the franchise. This increase was partially offset by lower revenues in global macro products as subdued client activity and low volatility in the first half of the year offset improved trading conditions in the second half of the year. We also had lower revenues in our credit franchise as lower leveraged finance origination activity, due to increased market volatility, resulted in weaker trading performance. Emerging markets revenues declined, reflecting weak performance in Latin America. Our results also include the adverse impact of the recognition of funding valuation adjustments (FVA) of CHF 95 million in the fourth quarter of 2014.

### Equity sales and trading

**2015 vs 2014: Down 6% from CHF 2,969 million to CHF 2,787 million**

Equity sales and trading revenues declined, primarily driven by weak cash equities performance due to difficult trading conditions in Latin America, where we have a strong market position. Derivatives results declined slightly, reflecting lower fund-linked products performance. These declines were partially offset by higher systematic market making revenues reflecting increased market volatility. We also had slightly increased prime services revenues despite significantly reduced leverage exposure, reflecting continued progress on our client portfolio optimization strategy.

**2014 vs 2013: Down 10% from CHF 3,288 million to CHF 2,969 million**

The lower revenues results reflected less favorable trading conditions, such as low volumes and low levels of volatility in the year. We had significantly weaker results in systematic market making following a strong performance in 2013. We also had lower cash equities results, reflecting difficult market conditions and subdued activity in Brazil. Derivatives revenues declined, reflecting weak performance across the Americas and EMEA. The decline was partially offset by increased revenues in prime services, reflecting a strong market share, continued portfolio optimization and increased trading and clearing activity.

### Underwriting

**2015 vs 2014: Down 9% from CHF 1,098 million to CHF 994 million**

Underwriting revenues declined, primarily due to weak debt underwriting revenues, reflecting lower leveraged finance activity in the US, but partially offset by higher investment grade revenues. Equity underwriting results were stable compared to 2014.

**2014 vs 2013: Stable at CHF 1,098 million**

Underwriting revenues were stable as higher equity underwriting results from higher industry-wide issuance activity across products were offset by lower debt underwriting revenues as a result of a decline in our investment grade business.

### Compensation and benefits

**2015 vs 2014: Up 3% from CHF 3,332 million to CHF 3,418 million**

Compensation and benefits increased, reflecting the foreign exchange impact of the strengthening of the US dollar against the Swiss Franc and higher salaries. In US dollars, compensation and benefits declined 3%, reflecting lower deferred compensation expenses from prior-year awards and lower discretionary compensation expenses.

**2014 vs 2013: Up 2% from CHF 3,271 million to CHF 3,332 million**

The increase was primarily driven by higher deferred compensation expenses from prior-year awards and higher salary expenses.

### General and administrative expenses

**2015 vs 2014: Up 23% from CHF 2,063 million to CHF 2,546 million**

Expenses increased significantly, reflecting increased investments in our risk, regulatory and compliance infrastructure and higher litigation provisions.

**2014 vs 2013: Stable at CHF 2,063 million**

Expenses were stable as lower infrastructure costs and lower UK bank levy expenses, partially offset by higher litigation provisions.

# Investment Banking & Capital Markets

In 2015, Investment Banking & Capital Markets reported a loss before taxes of CHF 353 million, including a goodwill impairment charge of CHF 380 million, and net revenues of CHF 1,752 million. Volatile markets made for a challenging year compared to 2014. Profitability was negatively impacted by lower underwriting revenues and mark-to-market losses in the underwriting and lending portfolio.

## Divisional results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **1,752** | **2,106** | **2,014** | (17) | 5 |
| **Provision for credit losses** | **3** | **(2)** | **0** | – | – |
| Compensation and benefits | 1,266 | 1,188 | 1,056 | 7 | 13 |
| General and administrative expenses | 432 | 409 | 376 | 6 | 9 |
| Commission expenses | 2 | 3 | 1 | (33) | 200 |
| Goodwill impairment | 380 | 0 | 0 | – | – |
| Restructuring expenses | 22 | – | – | – | – |
| Total other operating expenses | 836 | 412 | 377 | 103 | 9 |
| **Total operating expenses** | **2,102** | **1,600** | **1,433** | 31 | 12 |
| **Income/(loss) before taxes** | **(353)** | **508** | **581** | – | (13) |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | (15.0) | 26.2 | – | – | – |
| Cost/income ratio | 120.0 | 76.0 | 71.2 | – | – |
| **Economic risk capital and return** | | | | | |
| Average economic risk capital (CHF million) | 4,358 | 3,893 | 3,248 | 12 | 20 |
| Pre-tax return on average economic risk capital (%) [1] | (8.1) | 13.0 | 17.9 | – | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | |
| Total assets | 19,800 | 14,928 | 6,662 | 33 | 124 |
| Risk-weighted assets | 17,824 | 13,870 | 11,210 | 29 | 24 |
| Risk-weighted assets (USD) | 18,020 | 14,015 | 12,598 | 29 | 11 |
| Leverage exposure | 42,861 | 42,017 | – | 2 | – |
| Leverage exposure (USD) | 43,331 | 42,457 | – | 2 | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 2,800 | 2,400 | 2,400 | 17 | – |

[2] Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

| | | in | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Net revenue detail (CHF million)** | | | | | |
| Debt underwriting | 852 | 1,064 | 1,055 | (20) | 1 |
| Equity underwriting | 376 | 494 | 402 | (24) | 23 |
| Advisory and other fees | 705 | 584 | 553 | 21 | 6 |
| Other | (181) | (36) | 4 | 403 | – |
| **Net revenues** | **1,752** | **2,106** | **2,014** | (17) | 5 |

### RESULTS SUMMARY

#### Full-year 2015 results

In 2015, Investment Banking & Capital Markets reported a loss before taxes of CHF 353 million, including the goodwill impairment charge of CHF 380 million, and net revenues of CHF 1,752 million. Net revenues declined 17% compared to 2014. Debt underwriting revenues of CHF 852 million were down 20% on lower leveraged finance revenues and significant mark-to-market losses related to our underwriting commitments and lending portfolio. Equity underwriting revenues of CHF 376 million were down 24%, primarily reflecting a decrease in the overall fee pool for IPOs. Advisory revenues of CHF 705 million were up 21%, driven by an increase in the overall fee pool. Total operating expenses of CHF 2,102 million were up 31%, compared to 2014, primarily reflecting the goodwill impairment charge. Total operating expenses were also impacted by market-based salary increases, investment in strategic hires for the growth plan and restructuring expenses recognized in 4Q15 in connection with the implementation of the new strategy. These increases were partially offset by a decrease in discretionary compensation.

#### Full-year 2014 results

In 2014, we reported net revenues of CHF 2,106 million, an increase of 5% compared to 2013. The results reflected higher advisory and equity underwriting revenues, driven by increased activity in IPOs and M&A. Total operating expenses of CHF 1,600 million were up 12% compared to 2013, reflecting higher compensation and benefits.

#### Capital and leverage metrics

At the end of 2015, risk-weighted assets were USD 18.0 billion, an increase of USD 4.0 billion compared to the end of 2014. This increase was driven by higher investment grade and non-investment grade underwriting commitments, as well as methodology changes. We reported leverage exposure of USD 43.3 billion, a reduction of USD 0.9 billion compared to the end of 2014.

### RESULTS DETAIL

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013. Share of wallet refers to our share of the overall fee pool for the respective products.

#### Debt underwriting

**2015 vs 2014: Down 20% from CHF 1,064 million to CHF 852 million**

The decrease was primarily driven by lower leveraged finance revenues and significant mark-to-market losses related to our underwriting commitments and lending portfolio. Leveraged finance revenues were lower on reduced leveraged loan activity amid significant market volatility.

**2014 vs 2013: Stable at CHF 1,064 million**

Growth in our investment grade businesses offset lower leveraged finance revenues, which declined versus a strong 2013, consistent with the overall fee pool.

#### Equity underwriting

**2015 vs 2014: Down 24% from CHF 494 million to CHF 376 million**

The decrease was driven by lower revenues from IPOs, reflecting declines in industry-wide issuance activity. We had higher revenues from follow-on offerings despite a decrease in industry-wide activity, driven by share of wallet gains.

**2014 vs 2013: Up 23% from CHF 402 million to CHF 494 million**

The increase was driven by higher revenues from IPOs, in line with higher industry-wide issuance activity. We also had higher revenues from follow-on offerings as an increase in the related fee pool offset a decrease in our share of wallet.

#### Advisory and other fees

**2015 vs 2014: Up 21% from CHF 584 million to CHF 705 million**

The increase in revenues was driven by a higher number of completed M&A transactions, reflecting an increase in the overall fee pool.

**2014 vs 2013: Up 6% from CHF 553 million to CHF 584 million**

The increase in revenues reflected the growth in the overall fee pool and more favorable market conditions.

### Compensation and benefits

**2015 vs 2014: Up 7% from CHF 1,188 million to CHF 1,266 million**

Compensation and benefits increased as a result of market-based salary increases and investment in strategic hires as part of the Investment Banking & Capital Markets growth strategy.

**2014 vs 2013: Up 13% from CHF 1,056 million to CHF 1,188 million**

The increase was primarily driven by higher deferred compensation expenses from prior-year awards and higher discretionary compensation expenses.

### General and administrative expenses

**2015 vs 2014: Up 6% from CHF 409 million to CHF 432 million**

The increase was primarily driven by investments in our risk and compliance infrastructure.

**2014 vs 2013: Up 9% from CHF 376 million to CHF 409 million**

The increase was primarily driven by higher litigation provisions.

# Strategic Resolution Unit

In 2015, the Strategic Resolution Unit reported a loss before taxes of CHF 2,510 million and net revenues of CHF 413 million. Net revenues declined compared to 2014.

In 2015, we reduced risk-weighted assets and leverage exposure. As of the end of 2015, we had risk-weighted assets of CHF 61.6 billion, a decrease of CHF 3.4 billion compared to the end of 2014. Leverage exposure was CHF 138.2 billion as of the end of 2015, reflecting a decrease of CHF 80.9 billion compared to the end of 2014.

## Divisional results

| | | | in / end of | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **413** | **1,168** | **1,630** | (65) | (28) |
| of which from noncontrolling interests without significant economic interest | 11 | 427 | 639 | (97) | (33) |
| **Provision for credit losses** | **132** | **33** | **77** | 300 | (57) |
| Compensation and benefits | 1,017 | 1,082 | 1,150 | (6) | (6) |
| General and administrative expenses | 1,462 | 3,448 | 2,738 | (58) | 26 |
| of which litigation expenses | 414 | 2,535 | 1,938 | (84) | 31 |
| Commission expenses | 159 | 178 | 211 | (11) | (16) |
| Goodwill impairment | 0 | 0 | 12 | – | (100) |
| Restructuring expenses | 153 | – | – | – | – |
| Total other operating expenses | 1,774 | 3,626 | 2,961 | (51) | 22 |
| **Total operating expenses** | **2,791** | **4,708** | **4,111** | (41) | 15 |
| of which from noncontrolling interests without significant economic interest | 22 | 32 | 47 | (31) | (32) |
| **Loss before taxes** | **(2,510)** | **(3,573)** | **(2,558)** | (30) | 40 |
| of which from noncontrolling interests without significant economic interest | **(11)** | 395 | 592 | – | (33) |
| **Statement of operations metrics (%)** | | | | | |
| Return on regulatory capital | (28.2) | (32.6) | – | – | – |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 77,664 | 107,464 | 108,472 | (28) | (1) |
| Risk-weighted assets | 61,638 | 65,072 | 65,867 | (5) | (1) |
| Leverage exposure | 138,219 | 219,075 | – | (37) | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 2,100 | 3,400 | 3,800 | (38) | (11) |

## Divisional results (continued)

| | | | in | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Net revenue detail (CHF million)** | | | | | |
| Restructuring of select onshore businesses | 758 | 910 | 856 | (17) | 6 |
| Legacy cross-border business and small markets | 292 | 403 | 513 | (28) | (21) |
| Restructuring of former Asset Management division | (108) | 167 | 483 | – | (65) |
| Legacy investment banking portfolio | (380) | (388) | (104) | (2) | 273 |
| Legacy funding costs | (250) | (219) | (481) | 14 | (54) |
| Other | 90 | (132) | (276) | – | (52) |
| Noncontrolling interests without significant economic interest | 11 | 427 | 639 | (97) | (33) |
| **Net revenues** | **413** | **1,168** | **1,630** | (65) | (28) |

### RESULTS SUMMARY

#### Full-year 2015 results

In 2015, the Strategic Resolution Unit reported a loss before taxes of CHF 2,510 million compared to a loss before taxes of CHF 3,573 million in 2014. Net revenues decreased CHF 755 million compared to 2014, primarily driven by lower revenues from noncontrolling interests without significant economic interest and losses relating to the restructuring of the former Asset Management division in 2015. Provision for credit losses was CHF 132 million in 2015 compared to CHF 33 million in 2014, primarily relating to the restructuring of select onshore businesses. Total operating expenses decreased from CHF 4,708 million in 2014 to CHF 2,791 million in 2015, mainly due to lower litigation expenses.

#### Full-year 2014 results

In 2014, the Strategic Resolution Unit reported a loss before taxes of CHF 3,573 million compared to a loss before taxes of CHF 2,558 million in 2013. Net revenues decreased CHF 462 million compared to 2013, primarily driven by lower net revenues relating to the restructuring of the former Asset Management division and losses from the legacy investment banking portfolio in 2014. Provision for credit losses decreased from CHF 77 million in 2013 to CHF 33 million in 2014. Total operating expenses increased from CHF 4,111 million in 2013 to CHF 4,708 million in 2014, mainly due to higher litigation expenses.

#### Capital and leverage metrics

In 2015, we reduced risk-weighted assets and leverage exposure. As of the end of 2015, we had risk-weighted assets of CHF 61.6 billion, a decrease of CHF 3.4 billion compared to the end of 2014. The decrease was mainly driven by various initiatives in the legacy investment banking portfolio. Leverage exposure was CHF 138.2 billion as of the end of 2015, reflecting a decrease of CHF 80.9 billion compared to the end of 2014, driven by various initiatives in the legacy investment banking portfolio including sales, clearing and compression and other mitigating measures.

### RESULTS DETAIL

The following provides a comparison of our 2015 results versus 2014 and our 2014 results versus 2013.

#### Net revenues

**2015 vs 2014: Down 65% from CHF 1,168 million to CHF 413 million**

The decrease in net revenues was driven by lower revenues from noncontrolling interests without significant economic interest and losses relating to the restructuring of the former Asset Management division.

**2014 vs 2013: Down 28% from CHF 1,630 million to CHF 1,168 million**

The decrease in net revenues was primarily driven by lower revenues relating to the restructuring of the former Asset Management division, higher losses relating to the legacy investment banking portfolio and lower revenues from noncontrolling interest without significant economic interest, partially offset by lower losses relating to legacy funding costs.

#### Total operating expenses

**2015 vs 2014: Down 41% from CHF 4,708 million to CHF 2,791 million**

Total operating expenses decreased mainly due to lower litigation expenses. Litigation expenses decreased from CHF 2,535 million in 2014 to CHF 414 million in 2015. Litigation expenses in 2014 included CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters and CHF 841 million primarily in connection with mortgage-related matters.

**2014 vs 2013: Up 15% from CHF 4,111 million to CHF 4,708 million**

Total operating expenses increased mainly due to higher litigation expenses. Litigation expenses increased from CHF 1,938 million in 2013 to CHF 2,535 million in 2014. Litigation expenses in 2013 included provisions of CHF 1,117 million in connection with mortgage-related matters, including in connection with the settlement with the Federal Housing Finance Agency in March 2014, and CHF 600 million in connection with US cross-border matters.

# Corporate Center

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses and revenues that have not been allocated to the segments. It also includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses.

## Corporate Center results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **445** | **548** | **(321)** | (19) | – |
| **Provision for credit losses** | **0** | **2** | **1** | (100) | 100 |
| Compensation and benefits | 329 | 334 | 238 | (1) | 40 |
| General and administrative expenses | 431 | 260 | 62 | 66 | 319 |
| Commission expenses | 45 | 5 | 26 | – | (81) |
| Total other operating expenses | 476 | 265 | 88 | 80 | 201 |
| **Total operating expenses** | **805** | **599** | **326** | 34 | 84 |
| **Loss before taxes** | **(360)** | **(53)** | **(648)** | – | (92) |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 62,872 | 21,562 | 32,979 | 192 | (35) |
| Risk-weighted assets [1] | 16,878 | 16,125 | 15,298 | 5 | 5 |
| Leverage exposure [1] | 59,723 | 15,180 | – | 293 | – |

[1] Disclosed on a look-through basis.

## RESULTS SUMMARY

### Full-year 2015 results

In 2015, Corporate Center recorded a loss before taxes of CHF 360 million compared to a loss before taxes of CHF 53 million in 2014, primarily reflecting lower fair value gains from movements in own credit spreads of CHF 298 million in 2015, compared to fair value gains from movements in own credit spreads of CHF 543 million in 2014, and higher expenses in connection with the legal entity program in 2015.

### Full-year 2014 results

In 2014, Corporate Center recorded a loss before taxes of CHF 53 million compared to a loss before taxes of CHF 648 million in 2013, primarily reflecting fair value gains from movements in own credit spreads of CHF 543 million in 2014, compared to fair value losses from movements in own credit spreads of CHF 296 million in 2013. The improved results were partially offset by higher expenses in connection with the legal entity program in 2014.

## Corporate Center results (continued)

| | | | in | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Net revenue detail (CHF million)** | | | | | |
| Treasury results | 69 | (78) | (40) | – | 95 |
| Fair value impact from movements in own credit spreads | 298 | 543 | (296) | (45) | – |
| Other | 78 | 83 | 15 | (6) | 453 |
| **Net revenues** | **445** | **548** | **(321)** | (19) | – |

## Corporate Center – expenses before and after service allocation to divisions

| | | | in | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Statements of expenses (CHF million)** | | | | | |
| Compensation and benefits | 3,020 | 3,030 | 3,095 | 0 | (2) |
| General and administrative expenses | 3,915 | 3,531 | 3,312 | 11 | 7 |
| Commission expenses | 45 | 5 | 26 | – | (81) |
| Restructuring expenses | 106 | – | – | – | – |
| Total other operating expenses | 4,066 | 3,536 | 3,338 | 15 | 6 |
| **Total operating expenses before allocations to divisions** | **7,086** | **6,566** | **6,433** | 8 | 2 |
| Net allocation to divisions | 6,281 | 5,967 | 6,107 | 5 | (2) |
| of which Swiss Universal Bank | 1,531 | 1,468 | 1,472 | 4 | 0 |
| of which International Wealth Management | 967 | 930 | 1,055 | 4 | (12) |
| of which Asia Pacific | 756 | 724 | 678 | 4 | 7 |
| of which Global Markets | 2,090 | 1,946 | 1,988 | 7 | (2) |
| of which Investment Banking & Capital Markets | 289 | 252 | 234 | 15 | 8 |
| of which Strategic Resolution Unit | 648 | 647 | 680 | 0 | (5) |
| **Total operating expenses** | **805** | **599** | **326** | 34 | 84 |

# Assets under management

As of December 31, 2015, assets under management were CHF 1,214.1 billion, down 11.3% compared to December 31, 2014, primarily reflecting the transfer of our US domestic private banking business and a reclassification of assets under management to assets under custody within client assets, partially offset by net new assets of CHF 46.9 billion.

**Assets under management**

Effective as of July 1, 2015, the Group updated its assets under management policy primarily to introduce more specific criteria and indicators to evaluate whether client assets qualify as assets under management. The introduction of this updated policy resulted in a reclassification of CHF 46.4 billion of assets under management to assets under custody within client assets which has been reflected as a structural effect in the third quarter of 2015.

Assets under management comprise assets that are placed with us for investment purposes and include discretionary and advisory counterparty assets.

Discretionary assets are assets for which the client fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Discretionary assets are reported in the business in which the advice is provided as well as in the business in which the investment decisions take place. Assets managed by the Asset Management business of International Wealth Management for other businesses are reported in each applicable business and eliminated at the Group level.

## Assets under management and client assets

| | end of | | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Assets under management (CHF billion)** | | | | | |
| Swiss Universal Bank – Private Banking | 241.0 | 258.6 | 244.2 | (6.8) | 5.9 |
| Swiss Universal Bank – Corporate & Institutional Banking | 275.8 | 275.9 | 250.0 | 0.0 | 10.4 |
| International Wealth Management – Private Banking | 289.6 | 323.7 | 297.8 | (10.5) | 8.7 |
| International Wealth Management – Asset Management | 321.3 | 305.2 | 270.1 | 5.3 | 13.0 |
| Asia Pacific – Private Banking | 150.4 | 150.5 | 121.3 | (0.1) | 24.1 |
| Strategic Resolution Unit | 27.3 | 144.0 | 167.0 | (81.0) | (13.8) |
| Assets managed across businesses [1] | (91.3) | (89.2) | (72.8) | 2.4 | 22.5 |
| **Assets under management** | **1,214.1** | **1,368.7** | **1,277.6** | (11.3) | 7.1 |
| of which continuing operations | 1,214.1 | 1,368.7 | 1,248.6 | (11.3) | 9.6 |
| of which discontinued operations | 0.0 | 0.0 | 29.0 | – | (100.0) |
| **Assets under management from continuing operations** | **1,214.1** | **1,368.7** | **1,248.6** | (11.3) | 9.6 |
| of which discretionary assets | 410.1 | 429.1 | 417.8 | (4.4) | 2.7 |
| of which advisory assets | 804.0 | 939.6 | 830.8 | (14.4) | 13.1 |
| **Client assets (CHF billion) [2]** | | | | | |
| Swiss Universal Bank – Private Banking | 266.2 | 266.5 | 251.9 | (0.1) | 5.8 |
| Swiss Universal Bank – Corporate & Institutional Banking | 377.1 | 375.5 | 352.7 | 0.4 | 6.5 |
| International Wealth Management – Private Banking | 400.0 | 429.2 | 391.8 | (6.8) | 9.5 |
| International Wealth Management – Asset Management | 321.3 | 305.2 | 270.1 | 5.3 | 13.0 |
| Asia Pacific – Private Banking | 169.8 | 157.1 | 129.6 | 8.1 | 21.2 |
| Strategic Resolution Unit | 110.4 | 159.8 | 179.1 | (30.9) | (10.8) |
| Assets managed across businesses [1] | (91.3) | (89.2) | (72.8) | 2.4 | 22.5 |
| **Client assets [2]** | **1,553.5** | **1,604.1** | **1,502.4** | (3.2) | 6.8 |
| of which continuing operations | 1,553.5 | 1,604.1 | 1,473.0 | (3.2) | 8.9 |
| of which discontinued operations | 0.0 | 0.0 | 29.4 | – | (100.0) |

[1] Represents assets managed by Asset Management within International Wealth Management for the other businesses.

[2] Client assets is a broader measure than assets under management as it includes transactional accounts and assets under custody (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

## Growth in assets under management

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Growth in assets under management (CHF billion)** | | | |
| **Net new assets from continuing operations** | **46.9** | **29.9** | **35.0** |
| Net new assets from discontinued operations | 0.0 | (2.0) | (4.0) |
| **Net new assets** | **46.9** [1] | **27.9** | **31.0** |
| of which Swiss Universal Bank – Private Banking | 3.2 | 3.8 | (2.5) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 10.6 | 5.5 | 8.8 |
| of which International Wealth Management – Private Banking | (3.0) | 7.3 | 10.3 |
| of which International Wealth Management – Asset Management [2] | 26.5 | 6.5 | 15.9 |
| of which Asia Pacific – Private Banking | 17.8 | 17.5 | 11.8 |
| of which Strategic Resolution Unit | (4.0) [1] | (9.6) | (7.8) |
| of which assets managed across businesses [3] | (4.2) | (3.1) | (5.5) |
| **Other effects from continuing operations** | **(201.5)** | **90.2** | **18.6** |
| Other effects from discontinued operations | 0.0 | (27.0) | (20.0) |
| **Other effects** | **(201.5)** [1] | **63.2** | **(1.4)** |
| of which Swiss Universal Bank – Private Banking | (20.8) | 10.6 | 23.4 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | (10.7) | 20.4 | 17.4 |
| of which International Wealth Management – Private Banking | (31.1) | 18.6 | (16.9) |
| of which International Wealth Management – Asset Management | (10.4) | 28.6 | 8.6 |
| of which Asia Pacific – Private Banking | (17.9) | 11.7 | (2.4) |
| of which Strategic Resolution Unit | (112.7) [1] | (13.4) | (25.7) |
| of which assets managed across businesses [3] | 2.1 | (13.3) | (5.8) |
| **Growth in assets under management from continuing operations** | **(154.6)** | **120.1** | **53.6** |
| Growth in assets under management from discontinued operations | 0.0 | (29.0) | (24.0) |
| **Growth in assets under management** | **(154.6)** | **91.1** | **29.6** |
| of which Swiss Universal Bank – Private Banking | (17.6) | 14.4 | 20.9 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | (0.1) | 25.9 | 26.2 |
| of which International Wealth Management – Private Banking | (34.1) | 25.9 | (6.6) |
| of which International Wealth Management – Asset Management [2] | 16.1 | 35.1 | 24.5 |
| of which Asia Pacific – Private Banking | (0.1) | 29.2 | 9.4 |
| of which Strategic Resolution Unit | (116.7) | (23.0) | (33.5) |
| of which assets managed across businesses [3] | (2.1) | (16.4) | (11.3) |

[1] Updated since the 4Q15 Earnings Release to reflect a reclassification within the components of the growth in assets under management.
[2] Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.
[3] Represents assets managed by Asset Management within International Wealth Management for the other businesses.

Advisory assets include assets placed with us where the client is provided access to investment advice but retains discretion over investment decisions.

Assets under management and net new assets include assets managed by consolidated entities, joint ventures and strategic participations. Assets from joint ventures and participations are counted in proportion to our share in the respective entity.

As of December 31, 2015, assets under management of CHF 1,214.1 billion decreased CHF 154.6 billion compared to the end of 2014, reflecting the transfer of our US domestic private banking business, the CHF 46.4 billion reclassification of assets under management to assets under custody due to the introduction of the updated assets under management policy and unfavorable foreign exchange-related movements, partially offset by net new assets of CHF 46.9 billion and favorable market movements.

The Private Banking business of Swiss Universal Bank had assets under management of CHF 241.0 billion as of the end of 2015, a decrease of CHF 17.6 billion compared to the end of 2014, primarily reflecting a reclassification of CHF 15.8 billion of assets under management to assets under custody and unfavorable foreign exchange-related movements, partially offset by net new assets of CHF 3.2 billion and favorable market movements.

The Corporate & Institutional Banking business of Swiss Universal Bank had assets under management of CHF 275.8 billion as of the end of 2015, stable compared to the end of 2014, reflecting net new assets of CHF 10.6 billion and favorable market movements, offset by a reclassification of CHF 8.3 billion of assets under management to assets under custody and unfavorable foreign exchange-related movements.

## Growth in assets under management (continued)

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Growth in assets under management (%)** | | | |
| **Net new assets from continuing operations** | **3.4** | **2.4** | **2.9** |
| Net new assets from discontinued operations | 0.0 | (6.9) | (7.5) |
| **Net new assets** | **3.4** | **2.2** | **2.5** |
| of which Swiss Universal Bank – Private Banking | 1.2 | 1.6 | (1.1) |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 3.8 | 2.2 | 3.9 |
| of which International Wealth Management – Private Banking | (0.9) | 2.5 | 3.4 |
| of which International Wealth Management – Asset Management [1] | 8.7 | 2.4 | 6.5 |
| of which Asia Pacific – Private Banking | 11.8 | 14.4 | 10.5 |
| of which Strategic Resolution Unit | (2.8) | (5.7) | (3.9) |
| of which assets managed across businesses [2] | 4.7 | 4.3 | 8.9 |
| **Other effects from continuing operations** | **(14.7)** | **7.2** | **1.6** |
| Other effects from discontinued operations | 0.0 | (93.1) | (37.8) |
| **Other effects** | **(14.7)** | **4.9** | **(0.1)** |
| of which Swiss Universal Bank – Private Banking | (8.0) | 4.3 | 10.5 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | (3.8) | 8.2 | 7.8 |
| of which International Wealth Management – Private Banking | (9.6) | 6.2 | (5.6) |
| of which International Wealth Management – Asset Management | (3.4) | 10.6 | 3.5 |
| of which Asia Pacific – Private Banking | (11.9) | 9.7 | (2.1) |
| of which Strategic Resolution Unit | (78.2) | (8.1) | (12.8) |
| of which assets managed across businesses [2] | (2.3) | 18.2 | 9.5 |
| **Growth in assets under management from continuing operations** | **(11.3)** | **9.6** | **4.5** |
| Growth in assets under management from discontinued operations | 0.0 | (100.0) | (45.3) |
| **Growth in assets under management** | **(11.3)** | **7.1** | **2.4** |
| of which Swiss Universal Bank – Private Banking | (6.8) | 5.9 | 9.4 |
| of which Swiss Universal Bank – Corporate & Institutional Banking | 0.0 | 10.4 | 11.7 |
| of which International Wealth Management – Private Banking | (10.5) | 8.7 | (2.2) |
| of which International Wealth Management – Asset Management [1] | 5.3 | 13.0 | 10.0 |
| of which Asia Pacific – Private Banking | (0.1) | 24.1 | 8.4 |
| of which Strategic Resolution Unit | (81.0) | (13.8) | (16.7) |
| of which assets managed across businesses [2] | 2.4 | 22.5 | 18.4 |

[1] Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.
[2] Represents assets managed by Asset Management within International Wealth Management for the other businesses.

The Private Banking business of International Wealth Management had assets under management of CHF 289.6 billion as of the end of 2015, a decrease of CHF 34.1 billion compared to the end of 2014, primarily due to unfavorable foreign exchange-related movements, a reclassification of CHF 11.1 billion of assets under management to assets under custody and net asset outflows of CHF 3.0 billion, partially offset by favorable market movements.

The Asset Management business of International Wealth Management had assets under management of CHF 321.3 billion as of the end of 2015, an increase of CHF 16.1 billion compared to the end of 2014, primarily due to net new assets of CHF 26.5 billion, partially offset by unfavorable foreign exchange-related movements.

The Private Banking business of Asia Pacific had assets under management of CHF 150.4 billion as of the end of 2015, stable compared to the end of 2014, reflecting net new assets of CHF 17.8 billion, offset by a reclassification of CHF 9.1 billion of assets under management to assets under custody, unfavorable market movements and unfavorable foreign exchange-related movements.

The Strategic Resolution Unit had CHF 27.3 billion assets under management as of the end of 2015, a decrease of CHF 116.7 billion compared to the end of 2014, primarily reflecting the transfer of our US domestic private banking business to Wells Fargo and net asset outflows of CHF 4.0 billion, partially offset by favorable market movements.

▸ Refer to “Swiss Universal Bank”, “International Wealth Management”, “Asia Pacific” and “Strategic Resolution Unit” in II – Operating and financial review and “Note 38 – Assets under management” in V – Consolidated financial statements – Credit Suisse Group for further information.

### Net new assets

Net new assets include individual cash payments, delivery of securities and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management.

Furthermore, changes due to foreign exchange-related and market movements as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

We recorded net new assets of CHF 46.9 billion in 2015.

Swiss Universal Bank contributed net new assets of CHF 3.2 billion in its Private Banking business, with solid contributions from ◦ UHNWI, ◦ HNWI and ◦ affluent and retail clients, and CHF 10.6 billion in its Corporate & Institutional Banking business, primarily from Swiss pension funds.

International Wealth Management reported net asset outflows of CHF 3.0 billion in its Private Banking business, mainly reflecting the impact of regularization and pricing changes on cash deposits, and strong net new assets of CHF 26.5 billion in its Asset Management business, with inflows primarily from traditional products, including inflows from a joint venture in emerging markets, index solutions and credit products.

Asia Pacific reported strong net new assets of CHF 17.8 billion, reflecting inflows primarily from the Greater China and South East Asia markets.

The Strategic Resolution Unit had net asset outflows of CHF 4.0 billion due to the wind-down of operations.

## Net new assets

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Net new assets (CHF billion)** | | | |
| Swiss Universal Bank – Private Banking | 3.2 | 3.8 | (2.5) |
| Swiss Universal Bank – Corporate & Institutional Banking | 10.6 | 5.5 | 8.8 |
| International Wealth Management – Private Banking | (3.0) | 7.3 | 10.3 |
| International Wealth Management – Asset Management | 26.5 | 6.5 | 15.9 |
| Asia Pacific – Private Banking | 17.8 | 17.5 | 11.8 |
| Strategic Resolution Unit | (4.0) [1] | (9.6) | (7.8) |
| Assets managed across businesses [2] | (4.2) | (3.1) | (5.5) |
| **Net new assets** | **46.9** [1] | **27.9** | **31.0** |
| of which continuing operations | 46.9 | 29.9 | 35.0 |
| of which discontinued operations | 0.0 | (2.0) | (4.0) |

[1] Updated since the 4Q15 Earnings Release to reflect a reclassification within the components of the growth in assets under management.
[2] Represents assets managed by Asset Management within International Wealth Management for the other businesses.

# Critical accounting estimates

In order to prepare the consolidated financial statements in accordance with US GAAP, management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgment and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are prudent, reasonable and consistently applied.

We believe that the critical accounting estimates discussed below involve the most complex judgments and assessments.

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group for further information on significant accounting policies and new accounting pronouncements. For financial information relating to the Bank, refer to the corresponding notes in the consolidated financial statements of the Bank.

## FAIR VALUE

A significant portion of our assets and liabilities are carried at fair value. The fair value of the majority of these financial instruments is based on quoted prices in active markets or observable inputs.

In addition, we hold financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain OTC derivatives including interest rate, foreign exchange, equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and collateralized debt obligation (CDO) securities, private equity investments, certain loans and credit products (including leveraged finance, certain syndicated loans and certain high yield bonds) and life finance instruments.

We have availed ourselves of the simplification in accounting offered under the fair value option guidance in Accounting Standards Codification (ASC) Topic 825 – Financial Instruments, primarily in the divisions Global Markets, Investment Banking & Capital Markets, International Wealth Management, Asia Pacific and Strategic Resolution Unit. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. For instruments for which hedge accounting could not be achieved and for which we are economically hedged, we have elected the fair value option. Where we manage an activity on a fair value basis but previously have been unable to achieve fair value accounting, we have utilized the fair value option to align our financial accounting to our risk management reporting.

Control processes are applied to ensure that the fair values of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are appropriate and determined on a reasonable basis.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group for further information on fair value and related control processes of the Group.

## VARIABLE INTEREST ENTITIES

As a normal part of our business, we engage in various transactions that include entities which are considered variable interest entities (VIEs). VIEs are special purpose entities that typically lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under US GAAP, compelling the primary beneficiary to consolidate the VIE. The primary beneficiary is the party that has the power to direct the activities that most significantly affect the economics of the VIE and potentially has significant benefits or losses in the VIE. We consolidate all VIEs where we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. Application of the accounting requirements for consolidation of VIEs, including ongoing reassessment of VIEs for possible consolidation, may require the exercise of significant management judgment.

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 34 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information on VIEs.

## CONTINGENCIES AND LOSS PROVISIONS

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence or non-occurrence of future events.

### Litigation contingencies

We are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of our businesses. Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts. We accrue loss contingency litigation provisions and take a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. We also accrue litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which we have not accrued a loss contingency provision. We accrue these fee and expense litigation provisions and take a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. We review our legal proceedings each

quarter to determine the adequacy of our litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of our legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, our defenses and our experience in similar matters, as well as our assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding. We do not believe that we can estimate an aggregate range of reasonably possible losses for certain of our proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. Most matters pending against us seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent our reasonably possible losses.

▸ Refer to "Note 39 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information on legal proceedings.

### Allowance and provision for credit losses

As a normal part of our business, we are exposed to credit risk through our lending relationships, commitments and letters of credit as well as counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the possibility of a loss being incurred as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a default, we generally incur a loss equal to the amount owed by the debtor, less any recoveries resulting from foreclosure, liquidation of collateral or the restructuring of the debtor company. The allowance for loan losses is considered a reasonable estimate of credit losses existing at the dates of the consolidated balance sheets. This allowance is for probable credit losses inherent in existing exposures and credit exposures specifically identified as impaired.

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for further information on allowance for loan losses.

#### Inherent loan loss allowance

The inherent loan loss allowance is for all credit exposures not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss. The estimate of this component of the allowance for the consumer loans portfolio involves applying historical and current default probabilities, historical recovery experience and related current assumptions to homogenous loans based on internal risk rating and product type. To estimate this component of the allowance for the corporate and institutional loans portfolio, the Group segregates loans by risk, industry or country rating. The methodology for loan portfolios in our investment banking businesses adjusts the rating-specific default probabilities to incorporate not only historic third-party data but also those implied from current quoted credit spreads.

Many factors are evaluated in estimating probable credit losses inherent in existing exposures. These factors include: the volatility of default probabilities; rating changes; the magnitude of the potential loss; internal risk ratings; geographic, industry and other economic factors; and imprecision in the methodologies and models used to estimate credit risk. Overall credit risk indicators are also considered, such as trends in internal risk-rated exposures, classified exposures, cash-basis loans, recent loss experience and forecasted write-offs, as well as industry and geographic concentrations and current developments within those segments or locations. Our current business strategy and credit process, including credit approvals and limits, underwriting criteria and workout procedures, are also important factors.

Significant judgment is exercised in the evaluation of these factors. For example, estimating the amount of potential loss requires an assessment of the period of the underlying data. Data that does not capture a complete credit cycle may compromise the accuracy of loss estimates. Determining which external data relating to default probabilities should be used and when it should be used also requires judgment. The use of market indices and ratings that do not sufficiently correlate to our specific exposure characteristics could also affect the accuracy of loss estimates. Evaluating the impact of uncertainties regarding macroeconomic and political conditions, currency devaluations on cross-border exposures, changes in underwriting criteria, unexpected correlations among exposures and other factors all require significant judgment. Changes in our estimates of probable loan losses inherent in the portfolio could have an impact on the provision and result in a change in the allowance.

#### Specific loan loss allowances

We make provisions for specific loan losses on impaired loans based on regular and detailed analysis of each loan in the portfolio. This analysis includes an estimate of the realizable value of any collateral, the costs associated with obtaining repayment and realization of any such collateral, the counterparty's overall financial condition, resources and payment record, the extent of our other commitments to the same counterparty and prospects for support from any financially responsible guarantors.

The methodology for calculating specific allowances involves judgments at many levels. First, it involves the early identification of deteriorating credit. Extensive judgment is required in order to properly evaluate the various indicators of the financial condition of a counterparty and likelihood of repayment. The failure to identify certain indicators or give them proper weight could lead to a different conclusion about the credit risk. The assessment of credit risk is subject to inherent limitations with respect to the completeness

and accuracy of relevant information (for example, relating to the counterparty, collateral or guarantee) that is available at the time of the assessment. Significant judgment is exercised in determining the amount of the allowance. Whenever possible, independent, verifiable data or our own historical loss experience is used in models for estimating loan losses. However, a significant degree of uncertainty remains when applying such valuation techniques. Under our loan policy, the classification of loan status also has a significant impact on the subsequent accounting for interest accruals.

▸ Refer to "Risk Management" in III – Treasury, Risk, Balance sheet and Off-balance sheet and "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for loan portfolio disclosures, valuation adjustment disclosures and certain other information relevant to the evaluation of credit risk and credit risk management.

## GOODWILL IMPAIRMENT

Under US GAAP, goodwill is not amortized, but is reviewed for potential impairment on an annual basis as of December 31 and at any other time that events or circumstances indicate that the carrying value of goodwill may not be recoverable.

For the purpose of testing goodwill for impairment, each reporting unit is assessed individually. A reporting unit is an operating segment or one level below an operating segment, also referred to as a component. A component of an operating segment is deemed to be a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component.

On October 21, 2015, we announced the new strategy and organization, which included the introduction of a new segment structure. Under the prior structure, the reporting units for Private Banking & Wealth Management were Wealth Management Clients, Corporate & Institutional Clients, Asset Management and Private Banking & Wealth Management's non-strategic unit, and Investment Banking was considered to be one reporting unit. With an effective date of November 1, 2015, the reporting units under the new structure were redefined as follows: Swiss Universal Bank – Private Banking, Swiss Universal Bank – Corporate & Institutional Banking, International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Private Banking, Asia Pacific – Investment Banking, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit.

Under Accounting Standards Update 2011-08, "Testing Goodwill for Impairment" (ASU 2011-08), a qualitative assessment is permitted to evaluate whether a reporting unit's fair value is less than its carrying value. If on the basis of the qualitative assessment it is more likely than not that the reporting unit's fair value is higher than its carrying value, no quantitative goodwill impairment test is required. If on the basis of the qualitative assessment it is more likely than not that the reporting unit's fair value is lower than its carrying value, the first step of the quantitative goodwill impairment test must be performed, by calculating the fair value of the reporting unit and comparing that amount to its carrying value. If the fair value of a reporting unit exceeds its carrying value, there is no goodwill impairment. If the carrying value exceeds the fair value, the second step of the quantitative goodwill impairment test, measuring the amount of an impairment loss, if any, has to be performed.

The qualitative assessment is intended to be a simplification of the annual impairment test and can be bypassed for any reporting unit and any period to proceed directly to performing the first step of the quantitative goodwill impairment test. When bypassing the qualitative assessment in any period as per the current practice of the Group, the preparation of a qualitative assessment can be resumed in any subsequent period.

Circumstances that could trigger an initial qualitative assessment or the first step of the goodwill impairment test include, but are not limited to: (i) macroeconomic conditions such as a deterioration in general economic conditions or other developments in equity and credit markets; (ii) industry and market considerations such as a deterioration in the environment in which the entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), and regulatory or political developments; (iii) other relevant entity-specific events such as changes in management, key personnel or strategy; (iv) a more-likely-than-not expectation of selling or disposing of all, or a portion, of a reporting unit; (v) results of testing for recoverability of a significant asset group within a reporting unit; (vi) recognition of a goodwill impairment in the financial statements of a subsidiary that is a component of a reporting unit; and (vii) a sustained decrease in share price (considered in both absolute terms and relative to peers).

The carrying value of each reporting unit for the purpose of the goodwill impairment test is determined by considering the reporting units' risk-weighted assets usage, leverage ratio exposure, deferred tax assets, goodwill and intangible assets. Any residual equity, after considering the total of these elements, is allocated to the reporting units on a pro-rata basis. As of December 31, 2015, such residual equity was equal to CHF (4,725) million.

Factors considered in determining the fair value of reporting units include, among other things: an evaluation of recent acquisitions of similar entities in the market place; current share values in the market place for similar publicly traded entities, including price multiples; recent trends in our share price and those of competitors; estimates of our future earnings potential based on our five-year strategic business plan; and the level of interest rates.

Estimates of our future earnings potential, and that of the reporting units, involve considerable judgment, including management's view on future changes in market cycles, the regulatory environment, the anticipated result of the implementation of business strategies, competitive factors and assumptions concerning the retention of key employees. Adverse changes in the estimates and assumptions used to determine the fair value of the Group's reporting units may result in a goodwill impairment in the future.

An estimated balance sheet for each reporting unit is prepared on a quarterly basis. If the second step of the goodwill impairment test is required, the implied fair value of the relevant reporting unit's goodwill is compared with the carrying value of that

goodwill. If the carrying value exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to that excess. The loss recognized as a goodwill impairment cannot exceed the carrying value of that goodwill. The implied fair value of goodwill is calculated in the same manner as the amount of goodwill recognized in a business combination and, as such, the current fair value of a reporting unit is assigned to all of the assets and liabilities of that unit (including any unrecognized intangible assets, but excluding goodwill) as if the reporting unit had been acquired in a business combination. An independent valuation expert would likely be engaged to assist in the valuation of the reporting unit's unrecognized intangible assets.

Under US GAAP, goodwill has to be tested for impairment before and immediately after a reorganization of reporting units. As a result, the goodwill impairment test was performed as of November 1, 2015 under the prior reporting units and then again under the newly defined reporting units. In addition, the remaining goodwill after considering the impairment as of November 1, 2015 was tested for impairment as of December 31, 2015.

The total goodwill impairment for Credit Suisse Group as of November 1, 2015 was CHF 3,797 million. Prior to the reorganization, the goodwill for the Investment Banking reporting unit was impaired by CHF 2,324 million, which was recognized and allocated across the three new reporting units with investment banking activities, Global Markets, Asia Pacific – Investment Banking and Investment Banking & Capital Markets, based on their relative fair values. Immediately after the reorganization, the Global Markets reporting unit was further impaired by CHF 1,473 million. In total, the goodwill impairment of CHF 3,797 million was recognized as follows: CHF 2,661 million in Global Markets, CHF 756 million in Asia Pacific – Investment Banking and CHF 380 million in Investment Banking & Capital Markets.

Based on our goodwill impairment analysis performed as of December 31, 2015, we concluded that the estimated fair value for all of the reporting units with goodwill substantially exceeded their related carrying values and no further impairment was necessary as of December 31, 2015.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets and Investment Banking & Capital Markets reporting units as of November 1, 2015 and December 31, 2015 and in the valuation of the former Investment Banking reporting unit as of November 1, 2015. The valuations were performed using a combination of the market approach and income approach. Under the market approach, consideration is given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows which are determined from the Group's financial plan as approved by the Board of Directors.

The results of the impairment evaluation of each reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a significant margin from our best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, we could potentially incur material impairment charges in the future.

▸ Refer to "Note 21 – Goodwill" in V – Consolidated financial statements – Credit Suisse Group for further information on goodwill.

## TAXES

### Uncertainty of income tax positions

We follow the guidance in ASC Topic 740 – Income Taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain income tax positions.

Significant judgment is required in determining whether it is more likely than not that an income tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Further judgment is required to determine the amount of benefit eligible for recognition in the consolidated financial statements.

▸ Refer to "Note 28 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information on income tax positions.

### Deferred tax valuation allowances

Deferred tax assets and liabilities are recognized for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying values of existing assets and liabilities and their respective tax bases at the dates of the consolidated balance sheets.

The realization of deferred tax assets on temporary differences is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. The realization of deferred tax assets on net operating losses is dependent upon the generation of taxable income during the periods prior to their expiration, if applicable. Management regularly evaluates whether deferred tax assets will be realized. If management considers it more likely than not that all or a portion of a deferred tax asset will not be realized, a corresponding valuation allowance is established. In evaluating whether deferred tax assets will be realized, management considers both positive and negative evidence, including projected future taxable income, the reversal of deferred tax liabilities which can be scheduled and tax planning strategies.

This evaluation requires significant management judgment, primarily with respect to projected taxable income. Future taxable income can never be predicted with certainty. It is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits and potential restructurings, could lead to changes in deferred tax assets being realizable, or considered realizable, and would require a corresponding adjustment to the valuation allowance.

As part of its normal practice, management has conducted a detailed evaluation of its expected future results and also

considered stress scenarios. This evaluation has indicated the expected future results that are likely to be earned in jurisdictions where the Group has significant gross deferred tax assets, such as the US and Switzerland. Management then compared those expected future results with the applicable law governing utilization of deferred tax assets. US tax law allows for a 20-year carry-forward period for net operating losses and Swiss tax law allows for a seven-year carry-forward period for net operating losses.

▸ Refer to "Note 28 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information on deferred tax assets.

## PENSION PLANS

### The Group

The Group covers pension requirements, in both Swiss and non-Swiss locations, through various defined benefit pension plans and defined contribution pension plans.

Our funding policy with respect to these pension plans is consistent with local government and tax requirements.

The calculation of the expense and liability associated with the defined benefit pension plans requires an extensive use of assumptions, which include the discount rate, expected return on plan assets and rate of future compensation increases. Management determines these assumptions based upon currently available market and industry data and historical experience of the plans. Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by us may differ materially from actual results due to changing market and economic conditions and specific experience of the plans (such as investment management over- or underperformance, higher or lower withdrawal rates and longer or shorter life spans of the participants). Any such differences could have a significant impact on the amount of pension expense recorded in future years.

The funded status of our defined benefit pension and other post-retirement defined benefit plans are recorded in the consolidated balance sheets. The impacts from re-measuring the funded status (reflected in actuarial gains or losses) and from amending the plan (reflected in prior service cost or credits) are recognized in equity as a component of accumulated other comprehensive income/(loss) (AOCI).

The projected benefit obligation (PBO) of our total defined benefit pension plans as of December 31, 2015 included an amount related to our assumption for future salary increases of CHF 979 million, compared to CHF 621 million as of December 31, 2014. The accumulated benefit obligation (ABO) is defined as the PBO less the amount related to estimated future salary increases. The difference between the ○ fair value of plan assets and the ABO was an overfunding of CHF 839 million for 2015, compared to an overfunding of CHF 932 million for 2014.

We are required to estimate the expected long-term rate of return on plan assets, which is then used to compute benefit costs recorded in the consolidated statements of operations. Estimating future returns on plan assets is particularly subjective, as the estimate requires an assessment of possible future market returns based on the plan asset mix. In calculating pension expense and in determining the expected long-term rate of return, we use the market-related value of assets. The assumptions used to determine the benefit obligation as of the measurement date are also used to calculate the net periodic benefit costs for the 12-month period following this date.

The expected weighted-average long-term rate of return used to determine the expected return on plan assets as a component of the net periodic benefit costs in 2015 and 2014 was 4.00% and 3.75%, respectively, for the Swiss plans and 6.00% and 6.16%, respectively, for the international plans. In 2015, if the expected long-term rate of return had been increased/decreased one percentage point, net pension expense for the Swiss plans would have decreased/increased CHF 148 million and net pension expense for the international plans would have decreased/increased CHF 32 million.

The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. In estimating the discount rate, we take into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows from benefit payments. The discount rate used for Swiss plans decreased 0.35 percentage points from 1.25% as of December 31, 2014, to 0.90% as of December 31, 2015, mainly due to a decrease in Swiss bond market rates. The average discount rate used for international plans increased 0.23 percentage points from 3.82% as of December 31, 2014, to 4.05% as of December 31, 2015, mainly due to an increase in bond market rates in the US and the UK. The discount rate affects both the pension expense and the PBO. For the year ended December 31, 2015, a one percentage point decline in the discount rate for the Swiss plans would have resulted in an increase in the PBO of CHF 2,257 million and an increase in pension expense of CHF 133 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 1,961 million and a decrease in the pension expense of CHF 149 million. A one percentage point decline in the discount rate for the international plans as of December 31, 2015 would have resulted in an increase in the PBO of CHF 686 million and an increase in pension expense of CHF 59 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 557 million and a decrease in the pension expense of CHF 53 million.

Actuarial losses and prior service cost are amortized over the average remaining service period of active employees expected to receive benefits under the plan, which, as of December 31, 2015, was approximately 10 years for the Swiss plans and 3 to 24 years for the international plans. The pre-tax expense associated with the amortization of net actuarial losses and prior service cost for defined benefit pension plans for the years ended December 31, 2015, 2014 and 2013 was CHF 350 million, CHF 102 million and CHF 245 million, respectively. The amortization of recognized actuarial losses and prior service cost for defined benefit pension plans for the year ending December 31, 2016, which is

assessed at the beginning of the year, is expected to be CHF 231 million, net of tax. The impact from deviations between our actuarial assumptions and the actual developments of such parameters observed for our pension plans further impacts the amount of net actuarial losses or gains recognized in equity, resulting in a higher or lower amount of amortization expense in periods after 2016.

▸ Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on pension benefits.

**The Bank**

The Bank covers pension requirements for its employees in Switzerland through participation in a defined benefit pension plan sponsored by the Group (Group plan). Various legal entities within the Group participate in the Group plan, which is set up as an independent trust domiciled in Zurich. The Group accounts for the Group plan as a single-employer defined benefit pension plan and uses the projected unit credit actuarial method to determine the net periodic pension expense, PBO, ABO and the related amounts recognized in the consolidated balance sheets. The funded status of the Group plan is recorded in the consolidated balance sheets. The actuarial gains and losses and prior service costs or credits are recognized in equity as a component of AOCI.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expense or balance sheet amounts related to the Group plan are recognized by the Bank.

The Bank covers pension requirements for its employees in international locations through participation in various pension plans, which are accounted for as single-employer defined benefit pension plans or defined contribution pension plans.

In 2015, if the Bank had accounted for the Group plan as a defined benefit plan, the expected long-term rate of return used to determine the expected return on plan assets as a component of the net periodic benefit costs would have been 4.00%. In 2015, the weighted-average expected long-term rate of return used to calculate the expected return on plan assets as a component of the net periodic benefit costs for the international single-employer defined benefit pension plans was 6.00%.

The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. For the year ended December 31, 2015, if the Bank had accounted for the Group plan as a defined benefit plan, the discount rate used in the measurement of the benefit obligation and net periodic benefit costs would have been 0.90% and 1.25%, respectively. For the year ended December 31, 2015, the weighted-average discount rates used in the measurement of the benefit obligation and the net periodic benefit costs for the international single-employer defined benefit pension plans were 4.05% and 3.82%, respectively. A one percentage point decline in the discount rate for the international single-employer plans would have resulted in an increase in PBO of CHF 686 million and an increase in pension expense of CHF 59 million, and a one percentage point increase in the discount rate would have resulted in a decrease in PBO of CHF 557 million and a decrease in pension expense by CHF 53 million.

The Bank does not recognize any amortization of actuarial losses and prior service cost for the Group pension plan. Actuarial losses and prior service cost related to the international single-employer defined benefit pension plans are amortized over the average remaining service period of active employees expected to receive benefits under the plan. The pre-tax expense associated with the amortization of recognized net actuarial losses and prior service cost for the years ended December 31, 2015, 2014 and 2013 was CHF 84 million, CHF 52 million and CHF 79 million, respectively. The amortization of recognized actuarial losses and prior service cost for the year ending December 31, 2016, which is assessed at the beginning of the year, is expected to be CHF 33 million, net of tax.

III

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# Liquidity and funding management

During 2015, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

## OVERVIEW

Securities for funding and capital purposes have historically been issued primarily by the Bank, our principal operating subsidiary and a US registrant. In response to regulatory reform, we have started pursuing a dual track funding strategy with issuances at the Group level. Proceeds from issuances are lent to operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements and the former as desired by management to support business initiatives.

Our liquidity and funding strategy is approved by the Capital Allocation and Risk Management Committee (CARMC) and overseen by the Board of Directors. The implementation and execution of the liquidity and funding strategy is managed by Treasury. Treasury ensures adherence to our funding policy and the efficient coordination of the secured funding desks. This approach enhances our ability to manage potential liquidity and funding risks and to promptly adjust our liquidity and funding levels to meet stress situations. Our liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define our risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage of our businesses. The Board of Directors is responsible for defining our overall tolerance for risk in the form of a risk appetite statement.

Our liquidity and funding profile reflects our strategy and risk appetite and is driven by business activity levels and the overall operating environment. We have adapted our liquidity and funding profile to reflect lessons learned from the financial crisis, the subsequent changes in our business strategy and regulatory developments. We have been an active participant in regulatory and industry forums to promote best practice standards on quantitative and qualitative liquidity management. Our internal liquidity risk management framework is subject to review and monitoring by the Swiss Financial Market Supervisory Authority FINMA (FINMA), other regulators and rating agencies.

## REGULATORY FRAMEWORK

### Basel III liquidity framework

In December 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our interpretation of such requirements, including relevant assumptions and estimates. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown in this report.

In January 2014, the BCBS issued final LCR rules and disclosure requirements to be implemented as part of banks' regular disclosures beginning in January 1, 2015. The LCR, which is being phased in from January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have unencumbered high-quality liquid assets available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of high-quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60% as of January 1, 2015, increasing by 10% each year and reaching 100% by January 1, 2019.

In October 2014, the BCBS issued final NSFR rules, requiring banks to maintain a stable funding profile in relation to their on- and off-balance sheet activities. The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and, once in effect, should always be at least 100%. Following an observation period which began in 2012, the NSFR will become a minimum standard on January 1, 2018. In June 2015, the BCBS finalized the NSFR disclosure standards, which require internationally active banks in all Basel Committee member jurisdictions to publish their NSFR information according to a common template that includes the major categories of sources and uses of stable funding. In parallel with the implementation of the NSFR standard, national regulators must give effect to these disclosure requirements and banks will be required to comply with them from the date of the first reporting period after January 1, 2018.

### Swiss liquidity requirements

In November 2012, the Swiss Federal Council adopted a liquidity ordinance (Liquidity Ordinance) that implements Basel III liquidity requirements into Swiss law subject, in part, to further rulemaking. The Liquidity Ordinance entered into force on January 1, 2013. It requires appropriate management and monitoring of liquidity risks, and applies to all banks, but is tiered according to the type, complexity and degree of risk of a bank's activities. It also contains supplementary quantitative and qualitative requirements

for systemically relevant banks, including us, which are generally consistent with existing FINMA liquidity requirements.

In January 2014, the Swiss Federal Council and FINMA proposed revisions to the Liquidity Ordinance, to reflect the final Basel III LCR rules. These revisions were adopted by the Swiss Federal Council on June 25, 2014 and entered into effect on January 1, 2015. As a result, all Swiss banks are subject to an LCR requirement. Systemically relevant banks like Credit Suisse became subject to an initial minimum LCR requirement of 100% beginning on January 1, 2015, while other banks are subject to an initial 60% LCR requirement, with incremental increases by 10% per year until January 1, 2019. Further, beginning in May 2015, FINMA required us to maintain a minimum LCR of 110% at all times. In accordance with the new disclosure requirements, we started to report the LCR publicly on a quarterly basis in 2015.

In October 2014, FINMA issued a revised circular related to the LCR disclosure requirements for banks, which included requirements for banks to disclose quantitative and qualitative information related to the LCR beginning in the first quarter of 2015.

In November 2014, FINMA published new reporting instructions for the NSFR that required us to report to FINMA our NSFR on a quarterly basis for the fourth quarter of 2014, first quarter of 2015 and second quarter of 2015 and then monthly thereafter. The reporting instructions are generally aligned with the final BCBS NSFR requirements.

In January 2015, FINMA's revised circular on qualitative requirements for liquidity risk management and quantitative requirements for liquidity maintenance, which was issued in July 2014, entered into effect.

Our liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

▸ Refer to "Recent regulatory developments and proposals" in I – Information on the company – Regulation and supervision for further information.

## LIQUIDITY RISK MANAGEMENT FRAMEWORK

### Our approach to liquidity risk management

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we expect to have sufficient liquidity to sustain operations for a period of time in excess of our minimum limit. This includes potential currency mismatches, which are not deemed to be a major risk but are monitored and subject to limits, particularly in the significant currencies of euro, Japanese yen, pound sterling, Swiss franc and US dollar.

Although the NSFR is not effective until 2018, we began using the NSFR in 2012 as one of our primary tools, in parallel with the internal liquidity barometer, and in 2014 the LCR, to monitor our structural liquidity position and plan funding. We use the NSFR and the internal liquidity barometer as the basis for our funds transfer pricing policy.

We use our internal liquidity barometer to manage liquidity to internal targets and as a basis to model both Credit Suisse-specific and systemic market stress scenarios and their impact on liquidity and funding. Our internal barometer framework supports the management of our funding structure. It allows us to manage the time horizon over which the stressed market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This internal barometer framework allows us to manage liquidity to a desired profile under stress in order to be able to continue to pursue activities for a period of time (also known as a liquidity horizon) without changing business plans during times of Credit Suisse-specific or market-specific stress. Under this framework, we also have short-term targets based on additional stress scenarios to ensure uninterrupted liquidity for short time frames.

In the second quarter of 2014, we started to allocate the majority of the balance sheet usage related to a portfolio of high-quality liquid assets managed by our Treasury function to the business divisions to allow for a more efficient management of their business activities from an overall Group perspective with respect to LCR and Swiss leverage requirements arising from the portfolio of assets.

Our overall liquidity management framework allows us to run stress analyses on our balance sheet and off-balance sheet positions, which include, but are not limited to, the following:

- A multiple-notch downgrade in the Bank's long-term debt credit ratings, which would require additional funding as a result of certain contingent off-balance sheet obligations;
- Significant withdrawals from private banking client deposits;
- Potential cash outflows associated with the prime brokerage business;
- Availability of secured funding becomes subject to significant over-collateralization;
- Capital markets, certificates of deposit and commercial paper markets will not be available;
- Other money market access will be significantly reduced;
- A loss in funding value of unencumbered assets;
- The inaccessibility of assets held by subsidiaries due to regulatory, operational and other constraints;
- The possibility of providing non-contractual liquidity support in times of market stress, including purchasing our unsecured debt;
- Monitoring the concentration in sources of wholesale funding and thus encourage funding diversification;
- Monitoring the composition and analysis of the unencumbered assets;
- Restricted availability of foreign currency swap markets; and
- Other scenarios as deemed necessary from time to time.

### Governance

Funding, liquidity, capital and our foreign exchange exposures in the banking book are managed centrally by Treasury. Oversight of these activities is provided by CARMC, a committee that includes the chief executive officers (CEOs) of the Group and the divisions, the Chief Financial Officer, the Chief Risk Officer (CRO), the Chief Compliance and Regulatory Officer and the Treasurer.

It is CARMC's responsibility to review the capital position, balance sheet development, current and prospective funding, interest rate risk and foreign exchange exposure and to define and monitor adherence to internal risk limits. CARMC regularly reviews the methodology and assumptions of our liquidity risk management framework and determines the liquidity horizon to be maintained.

All liquidity stress tests are coordinated and overseen by the CRO to ensure a consistent and coordinated approach across all risk disciplines.

### Contingency planning

In the event of a liquidity crisis, our Contingency Funding Plan provides for specific actions to be taken depending on the nature of the crisis. Our plan is designed to address ever-increasing liquidity and funding stresses and has pre-defined escalation levels aimed at maximizing the likelihood that we can take certain measures to address liquidity or funding shortfalls. In order to identify a deteriorating liquidity situation, we monitor a set of regulatory and economic liquidity metrics while also seeking the views of our subject matter experts as well as senior management, who retain at all times the authority and responsibility to ensure that any required remedial actions are taken promptly. In all cases, the plan's primary objectives are to strengthen liquidity (immediate), reduce funding needs (medium term) and assess recovery options (longer term).

## LIQUIDITY METRICS

### Liquidity pool

Treasury manages a sizeable portfolio of liquid assets, comprised of high quality liquid assets (HQLA) as defined by FINMA. A portion of the liquidity pool is generated through reverse repurchase agreements with top-rated counterparties. We are mindful of potential credit risk and therefore focus our liquidity holdings strategy on cash held at central banks and highly rated government bonds, and on short-term reverse repurchase agreements. These bonds are eligible as collateral for liquidity facilities with various central banks including the Swiss National Bank (SNB), the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of England. Our direct exposure on these bonds is limited to highly liquid, top-rated sovereign entities or fully guaranteed agencies of sovereign entities. These securities may also serve to meet liquidity requirements in major operating subsidiaries.

## Liquidity coverage ratio – Group

| End of 2015 | Swiss franc | US dollar | Euro | Other currencies | Unweighted value [1] | Weighted value [2] |
|---|---|---|---|---|---|---|
| **High Quality Liquid Assets (HQLA) (CHF million)** | | | | | | |
| Cash held at central banks | 44,198 | 27,611 | 11,887 | 3,044 | – | 86,740 |
| Securities | 1,462 | 62,186 | 6,286 | 18,632 | – | 88,566 |
| **High quality liquid assets [3]** | **45,660** | **89,797** | **18,173** | **21,676** | **–** | **175,306** |
| **Cash outflows (CHF million)** | | | | | | |
| Retail deposits and deposits from small business customers | | | | | 153,091 | 19,362 |
| Unsecured wholesale funding | | | | | 206,113 | 86,619 |
| Secured wholesale funding | | | | | – | 86,778 |
| Additional requirements | | | | | 229,017 | 60,988 |
| Other contractual funding obligations | | | | | 49,946 | 49,946 |
| Other contingent funding obligations | | | | | 258,478 | 3,313 |
| **Total cash outflows** | | | | | **–** | **307,006** |
| **Cash inflows (CHF million)** | | | | | | |
| Secured lending | | | | | 149,105 | 95,418 |
| Inflows from fully performing exposures | | | | | 59,332 | 31,104 |
| Other cash inflows | | | | | 52,011 | 52,011 |
| **Total cash inflows** | | | | | **–** | **178,533** |
| **Liquidity coverage ratio (CHF million), except where indicated** | | | | | | |
| High quality liquid assets | | | | | – | 175,306 |
| Net cash outflows | | | | | – | 128,473 |
| **Liquidity coverage ratio (%)** | | | | | **–** | **136** |

Calculated using a three-month average.
[1] Calculated as outstanding balances maturing or callable within 30 days.
[2] Calculated after the application of haircuts for high quality liquid assets or inflow and outflow rates.
[3] Consists of cash and eligible securities as prescribed by FINMA.

All securities, including those obtained from reverse repurchase agreements, are subject to a stress level haircut in our barometer to reflect the risk that emergency funding may not be available at market value in a stress scenario. During the course of 2015 we aligned our internal stress level haircut calculation for the Treasury-managed liquidity pool to the HQLA definition used in the LCR framework.

We centrally manage this liquidity pool and hold it at our main operating entities. Holding securities in these entities ensures that we can make liquidity and funding available to local entities in need without delay.

For the purpose of the LCR disclosure as of December 31, 2015, our liquidity pool managed by Treasury had an HQLA value of CHF 175.3 billion. The liquidity pool consisted of CHF 86.7 billion of cash held at major central banks, primarily the SNB, the Fed and the ECB, and CHF 88.6 billion market value of securities issued by governments and government agencies, primarily from the US, UK, France and Germany. In addition to the liquidity portfolio managed by Treasury, there is also a portfolio of unencumbered liquid assets managed by various businesses, primarily in the Global Markets and Investment Banking and Capital Markets divisions. These assets generally include high-grade bonds and highly liquid equity securities that form part of major indices. Through coordination with the businesses, Treasury can access these assets to generate liquidity if required. As of December 31, 2015, the portfolio that is not managed by Treasury had a market value of CHF 23.8 billion, consisting of CHF 2.4 billion of high-grade bonds and CHF 21.4 billion of highly liquid equity securities. Under our internal model, an average stress-level haircut of 21% is applied to these assets. The haircuts applied to these portfolios reflect our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities.

### Developments in the Liquidity Coverage Ratio

As of the end of 2015, our LCR was 136.5%, representing high quality liquid assets of CHF 175.3 billion and net cash outflows of CHF 128.5 billion.

The movement in the LCR was primarily driven by the increase in high quality liquid assets, which remained stable in the second half of 2015 after increases in the first half of 2015 in both cash held at central banks and eligible securities under the LCR framework.

The decrease in net cash outflows mainly reflected lower unsecured wholesale deposits with an offsetting increase in retail deposits. However, the weighting under the LCR framework for wholesale deposits is greater than that for retail deposits, resulting in a net decrease of deposit outflows.

Other movements included a parallel increase in overall secured lending and secured borrowing during 2015. A reduction in inflows from fully performing exposures between 2Q15 and 4Q15 reflected a decrease in loans to other banks. The decrease in other contingent funding obligations between 1Q15 and 2Q15 reflected a change in methodology for the treatment of secured funding customer short positions as well as changes in client activity.

Although the LCR has been subject to minimum requirements since January 2015, there continue to be certain refinements in the methodologies applied, which had an impact on certain metrics. In particular, outflows from other contractual funding obligations and other cash inflows increased significantly between 2Q15 and 3Q15 due to the implementation of regulatory guidance with respect to the calculation and disclosure of amounts on a gross basis rather than net basis for certain open and failed trades. However, the impact was minimal due to the symmetrical weighting of these trades for cash inflows and outflows. Other areas have been subject to rule clarification with an overall impact that was not significant. These include additional requirements where the unweighted balance of undrawn credit and liquidity facilities increased in the second half of 2015, but the corresponding weighting factor decreased as a result of the business mix of facilities and clients as well as enhancements to the dataset.

In connection with the implementation of Basel III, certain regulatory LCR disclosures for the Group, the Bank, the Bank parent company and Credit Suisse International are required. Further details on our LCR can be found on our website.

▸ Refer to www.credit-suisse.com/regulatorydisclosures for additional information.

## Liquidity coverage ratio – Group

| end of | 4Q15 | 3Q15 | 2Q15 | 1Q15 |
|---|---|---|---|---|
| **CHF billion, except where indicated** | | | | |
| High quality liquid assets | 175.3 | 175.5 | 166.4 | 152.2 |
| Net cash outflows | 128.5 | 126.1 | 133.3 | 147.5 |
| **Liquidity coverage ratio (%)** | **136.5** | **139.1** | **124.8** | **103.2** |

Calculated using a three-month average.

## FUNDING SOURCES AND USES

We fund our balance sheet primarily through core customer deposits, long-term debt, including structured notes, and shareholders' equity. We monitor the funding sources, including their concentrations against certain limits, according to their counterparty, currency, tenor, geography and maturity, and whether they are secured or unsecured. A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

Cash and due from banks and reverse repurchase agreements are highly liquid. A significant part of our assets, principally unencumbered trading assets that support the securities business, is comprised of securities inventories and collateralized receivables that fluctuate and are generally liquid. These liquid assets are available to settle short-term liabilities.

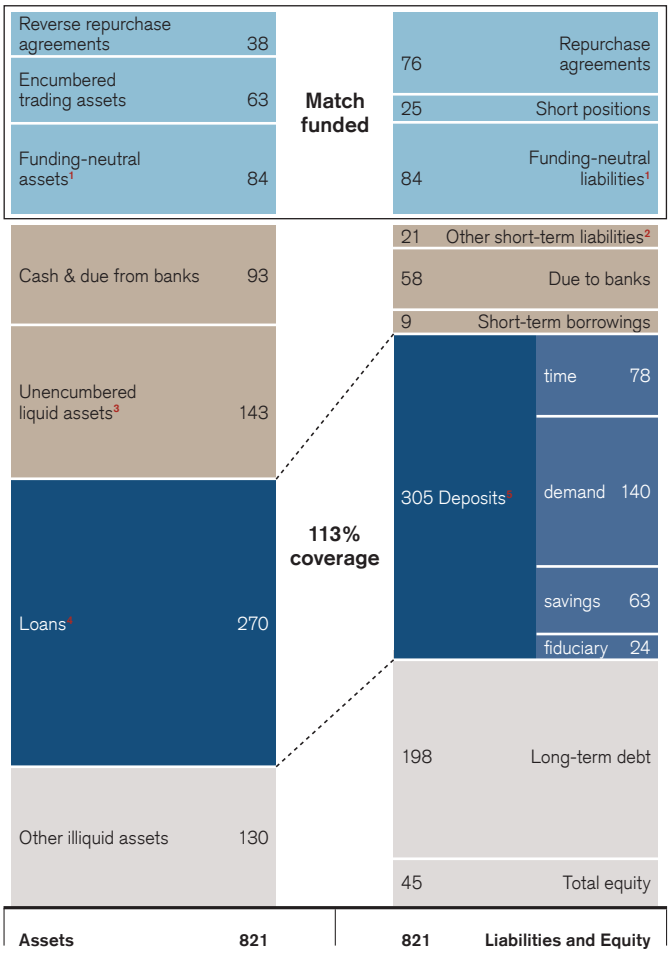
Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 13% as of the end of 2015, compared to 18% as of the end of 2014, reflecting stable loans and a small decrease in deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as the haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

Our core customer deposits totaled CHF 305 billion as of the end of 2015, a decrease of 4% compared to CHF 317 billion as of the end of 2014 and an increase of 3% compared to CHF 297 billion as of the end of 2013, reflecting a small decrease in the customer deposit base in the private banking and corporate & institutional banking businesses in 2015. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proven to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

▸ Refer to the chart "Balance sheet funding structure" and "Balance sheet" in Balance sheet, off-balance sheet and other contractual obligations for further information.

### Balance sheet funding structure

as of December 31, 2015 (CHF billion)




[1] Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.
[2] Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.
[3] Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.
[4] Excludes loans with banks.
[5] Excludes due to banks and certificates of deposit.

### Funding management

Treasury is responsible for the development, execution and regular updating of our funding plan. The plan reflects projected business growth, development of the balance sheet, future funding needs and maturity profiles as well as the effects of changing market and regulatory conditions.

Interest expense on long-term debt, excluding structured notes, is monitored and managed relative to certain indices, such as the London Interbank Offered Rate (LIBOR), that are relevant to the financial services industry. This approach to term funding best reflects the sensitivity of both our liabilities and our assets to changes in interest rates. We expect our funding cost, which is allocated to the divisions, to increase as a result of Swiss "Too Big to Fail" requirements, as well as other banking industry regulatory requirements.

We continually manage the impact of funding spreads through careful management of our liability maturity mix and opportunistic issuance of debt. The effect of funding spreads on interest expense depends on many factors, including the absolute level of the indices on which our funding is based.

We diversify our long-term funding sources by issuing structured notes, which are debt securities on which the return is linked to commodities, stocks, indices or currencies or other assets. We generally hedge structured notes with positions in the underlying assets or derivatives.

We also use other collateralized financings, including repurchase agreements and securities lending agreements. The level of our repurchase agreements fluctuates, reflecting market opportunities, client needs for highly liquid collateral, such as US treasuries and agency securities, and the impact of balance sheet and risk-weighted asset limits. In addition, matched book trades, under which securities are purchased under agreements to resell and are simultaneously sold under agreements to repurchase with comparable maturities, earn spreads, are relatively risk free and are generally related to client activity.

Our primary source of liquidity is funding through consolidated entities.

## CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES

The following table provides contractual maturities of the assets and liabilities specified as of the end of 2015. The contractual maturities are an important source of information for liquidity risk management. However, liquidity risk is also managed based on an expected maturity that considers counterparty behavior and in addition takes into account certain off-balance sheet items such as derivatives. Liquidity risk management performs extensive analysis of counterparty behavioral assumptions under various stress scenarios.

### Contractual maturity of assets and liabilities

| end of 2015 | On demand | Less than 1 month | Between 1 to 3 months | Between 3 to 12 months | Between 1 to 5 years | Greater than 5 years | Total |
|---|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | | |
| Cash and due from banks | 86,437 | 1,031 | 1,481 | 185 | 0 | 3,194 | 92,328 |
| Interest-bearing deposits with banks | 0 | 353 | 282 | 199 | 16 | 17 | 867 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 42,431 | 52,823 | 15,549 | 5,729 | 6,232 | 285 | 123,049 |
| Securities received as collateral, at fair value | 26,193 | 2,318 | 0 | 0 | 0 | 0 | 28,511 |
| Trading assets, at fair value | 190,737 | 0 | 0 | 0 | 0 | 0 | 190,737 |
| Investment securities | 12 | 83 | 20 | 346 | 1,450 | 1,179 | 3,090 |
| Other investments | 901 | 0 | 25 | 0 | 303 | 5,792 | 7,021 |
| Net loans | 10,493 | 50,936 | 25,842 | 46,212 | 89,544 | 49,968 | 272,995 |
| Premises and equipment | 0 | 0 | 0 | 0 | 0 | 4,644 | 4,644 |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 4,808 | 4,808 |
| Other intangible assets | 0 | 0 | 0 | 0 | 0 | 196 | 196 |
| Brokerage receivables | 34,542 | 0 | 0 | 0 | 0 | 0 | 34,542 |
| Other assets | 19,781 | 4,118 | 5,472 | 6,454 | 12,692 | 9,500 | 58,017 |
| **Total assets** | **411,527** | **111,662** | **48,671** | **59,125** | **110,237** | **79,583** | **820,805** |
| **Liabilities (CHF million)** | | | | | | | |
| Due to banks | 10,907 | 2,833 | 3,655 | 1,902 | 1,482 | 275 | 21,054 |
| Customer deposits | 235,079 | 31,405 | 46,516 | 27,315 | 1,604 | 786 | 342,705 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 13,744 | 14,085 | 9,655 | 8,778 | 113 | 223 | 46,598 |
| Obligation to return securities received as collateral, at fair value | 26,193 | 2,318 | 0 | 0 | 0 | 0 | 28,511 |
| Trading liabilities, at fair value | 48,971 | 0 | 0 | 0 | 0 | 0 | 48,971 |
| Short-term borrowings | 0 | 3,138 | 2,511 | 3,008 | 0 | 0 | 8,657 |
| Long-term debt | 0 | 745 | 5,005 | 16,588 | 101,714 | 73,556 | 197,608 |
| Brokerage payables | 39,452 | 0 | 0 | 0 | 0 | 0 | 39,452 |
| Other liabilities | 28,813 | 7,530 | 577 | 1,339 | 2,915 | 1,057 | 42,231 |
| **Total liabilities** | **403,159** | **62,054** | **67,919** | **58,930** | **107,828** | **75,897** | **775,787** |

▸ Refer to "Contractual obligations and other commercial commitments" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations and "Note 33 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information on contractual maturities of guarantees and commitments.

## DEBT ISSUANCES AND REDEMPTIONS

Our long-term debt includes senior and subordinated debt issued in US-registered offerings and medium-term note programs, euro market medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo.

We use a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Substantially all of our unsecured senior debt is issued without financial covenants, such as adverse changes in our credit ratings, cash flows, results of operations or financial ratios, which could trigger an increase in our cost of financing or accelerate the maturity of the debt. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds, or historically from our own international covered bond program.

The following table provides information on long-term debt issuances, maturities and redemptions in 2015, excluding structured notes.

### Debt issuances and redemptions

| in 2015 | Senior | Senior bail-in | Subordinated | Long-term debt |
|---|---|---|---|---|
| **Long-term debt (CHF billion, notional value)** | | | | |
| **Issuances** | **22.5** | **14.7** | **0** | **37.2** |
| of which unsecured | 20.2 | 14.7 | 0 | 34.9 |
| of which secured [1] | 2.3 | 0 | 0 | 2.3 |
| **Maturities / Redemptions** | **20.1** | **0** | **0.4** | **20.5** |
| of which unsecured | 15.7 | 0 | 0.4 | 16.1 |
| of which secured [1] | 4.4 | 0 | 0 | 4.4 |

Excludes structured notes.
[1] Includes covered bonds.

As of the end of 2015, we had outstanding long-term debt of CHF 197.6 billion, which included senior and subordinated instruments, as well as CHF 15 billion of senior bail-in instruments, which we expect to be total loss-absorbing capacity (TLAC) eligible. We had CHF 54.8 billion and CHF 19.5 billion of structured notes and covered bonds outstanding, respectively, as of the end of 2015 compared to CHF 50.5 billion and CHF 19.2 billion, respectively, as of the end of 2014. The weighted average maturity of long-term debt was 6.0 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity or in 2030 for instruments without a stated final maturity).

▸ Refer to "Note 25 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information.

Short-term borrowings decreased 66% to CHF 8.7 billion as of the end of 2015 compared to CHF 25.9 billion in 2014.

▸ Refer to "Capital issuances and redemptions" in Capital management for further information on capital issuances, including buffer and progressive capital notes.

## FUNDS TRANSFER PRICING

We maintain an internal funds transfer pricing system based on market rates. Our funds transfer pricing system is designed to allocate to our businesses all funding costs in a way that incentivizes their efficient use of funding. Our funds transfer pricing system is an essential tool that allocates to the businesses the short-term and long-term costs of funding their balance sheet usages and off-balance sheet contingencies. The funds transfer pricing framework ensures full funding costs allocation under normal business conditions, but it is even of greater importance in a stressed capital markets environment where raising funds is more challenging and expensive. Under this framework, our businesses are also credited to the extent they provide long-term stable funding.

## CASH FLOWS FROM OPERATING, INVESTING AND FINANCING ACTIVITIES

As a global financial institution, our cash flows are complex and interrelated and bear little relation to our net earnings and net assets. Consequently, we believe that traditional cash flow analysis is less meaningful in evaluating our liquidity position than the liquidity and funding policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends in our business.

For the year ended December 31, 2015, net cash provided by operating activities of continuing operations was CHF 15.1 billion, primarily reflecting a decrease in trading assets and liabilities and a decrease in other assets, partially offset by decrease in other liabilities. Our operating assets and liabilities vary significantly in the normal course of business due to the amount and timing of cash flows. Management believes cash flows from operations, available cash balances and short-term and long-term borrowings will be sufficient to fund our operating liquidity needs.

Our investing activities primarily include originating loans to be held to maturity, other receivables and the investment securities portfolio. For the year ended December 31, 2015, net cash provided by investing activities from continuing operations was CHF 34.7 billion, primarily due to a decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, partially offset by an increase in loans.

Our financing activities primarily include the issuance of debt and receipt of customer deposits. We pay annual dividends on our common shares. In 2015, net cash used in financing activities of continuing operations was CHF 36.2 billion, mainly reflecting the repayments of long-term debt, the decrease in due to banks and customer deposits, a decrease in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions, and repurchases of treasury shares, partially offset by the sale of treasury shares.

## CREDIT RATINGS

Our access to the debt capital markets and our borrowing costs depend significantly on our credit ratings. Rating agencies take many factors into consideration in determining a company's rating, including such factors as earnings performance, business mix, market position, ownership, financial strategy, level of capital, risk management policies and practices, management team and the broader outlook for the financial services industry. The rating agencies may raise, lower or withdraw their ratings, or publicly announce an intention to raise or lower their ratings, at any time.

Although retail and private bank deposits are generally less sensitive to changes in a bank's credit ratings, the cost and availability of other sources of unsecured external funding is generally a function of credit ratings. Credit ratings are especially important to us when competing in certain markets and when seeking to engage in longer-term transactions, including over-the-counter (OTC) derivative instruments.

A downgrade in credit ratings could reduce our access to capital markets, increase our borrowing costs, require us to post additional collateral or allow counterparties to terminate transactions under certain of our trading and collateralized financing and derivative contracts. This, in turn, could reduce our liquidity and negatively impact our operating results and financial position. Our internal liquidity barometer takes into consideration contingent events associated with a two-notch downgrade in our credit ratings. The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 1.2 billion, CHF 3.1 billion and CHF 4.2 billion, respectively, as of December 31, 2015, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller. In January 2016, Moody's Investors Service downgraded the long-term ratings of Credit Suisse AG and its affiliates by one notch.

Potential cash outflows on these derivative contracts associated with a downgrade of our long-term debt credit ratings, such as the requirement to post additional collateral to the counterparty, the loss of re-hypothecation rights on any collateral received and impacts arising from additional termination events, are monitored and taken into account in the calculation of our liquidity requirements. There are additional derivative related risks that do not relate to the downgrade of our long term debt credit ratings and which may impact our liquidity position, including risks relating to holdings of derivatives collateral or potential movements in the valuation of derivatives positions. The potential outflows resulting across all derivate product types are monitored as part of the LCR scenario paramaters and the internal liquidity barometer reporting.

▸ Refer to "Investor information" in the Appendix for further information on Group and Bank credit ratings.

# Capital management

As of the end of 2015, our CET1 ratio was 14.3% under Basel III and 11.4% on a look-through basis. Our risk-weighted assets were CHF 295.0 billion and our tier 1 capital was CHF 53.1 billion. Our BIS tier 1 leverage ratio was 5.3% and 4.5% on a look-through basis.

## CAPITAL STRATEGY AND FRAMEWORK

Credit Suisse considers a strong and efficient capital position to be a priority. Through our capital strategy, our goal is to strengthen our capital position and optimize the use of risk-weighted assets (RWA), particularly in light of emerging regulatory capital requirements.

The overall capital needs of Credit Suisse reflect management's regulatory and credit rating objectives as well as our underlying risks. Our framework considers the capital needed to absorb losses, both realized and unrealized, while remaining a strongly capitalized institution. Multi-year projections and capital plans are prepared for the Group and its major subsidiaries and reviewed throughout the year with its regulators. These plans are subject to various stress tests, reflecting both macroeconomic and specific risk scenarios. Capital contingency plans are developed in connection with these stress tests to ensure that possible mitigating actions are consistent with both the amount of capital at risk and the market conditions for accessing additional capital.

Our capital management framework also relies on economic capital, which is a comprehensive tool that is also used for risk management and performance measurement. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength as reflected in our long-term credit rating.

▸ Refer to "Economic risk capital" in Risk Management – Risk coverage and management for further information.

## REGULATORY CAPITAL FRAMEWORK

### Overview

Effective January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder (Swiss Requirements). Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. Also, our capital metrics fluctuate during any reporting period in the ordinary course of business.

The Basel framework describes a range of options for determining capital requirements in order to provide banks and supervisors the ability to select approaches that are most appropriate for their operations and their financial market infrastructure. In general, Credit Suisse has adopted the most advanced approaches, which align with the way that risk is internally managed and provide the greatest risk sensitivity.

For measuring credit risk, we received approval from FINMA to use the advanced internal ratings-based approach (A-IRB). Under the A-IRB for measuring credit risk, risk weights are determined by using internal risk parameters for probability of default (PD), loss given default (LGD) and effective maturity. The exposure at default (EAD) is either derived from balance sheet values or by using models.

For calculating the capital requirements for market risk, the internal models approach, the standardized measurement method and the standardized approach are used.

Non-counterparty risk arises from holdings of premises and equipment, real estate and investments in real estate entities.

Under the Basel framework, operational risk is included in RWA and we received approval from FINMA to use the advanced measurement approach (AMA). Under the AMA for measuring operational risk, we identified key scenarios that describe our major operational risks using an event model.

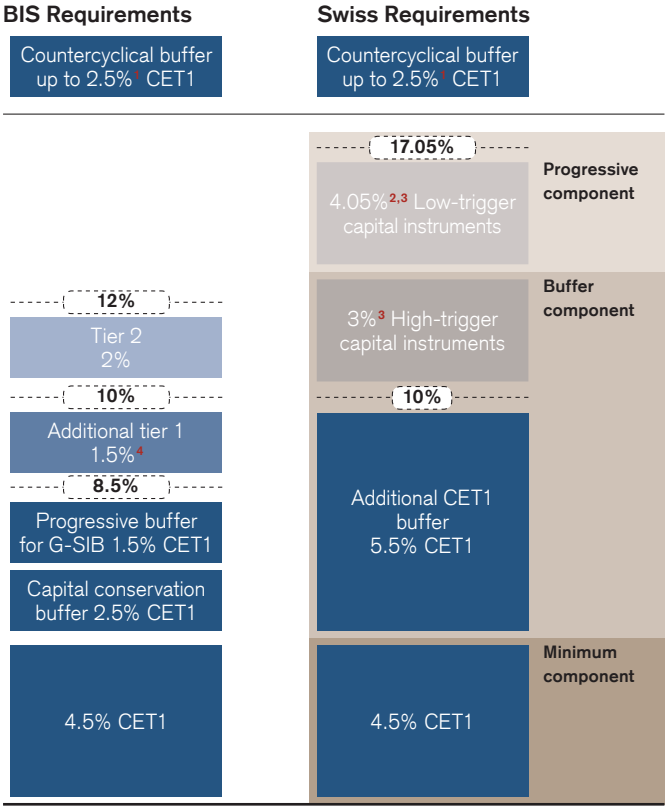
References to phase-in and look-through included herein refer to Basel III capital requirements and Swiss Requirements. Phase-in reflects that, for the years 2014 – 2018, there will be a five-year (20% per annum) phase-in of goodwill, other intangible assets and other capital deductions (e.g., certain deferred tax assets) and the phase-out of an adjustment for the accounting treatment of pension plans and, for the years 2013 – 2022, there will be a phase-out of certain capital instruments. Look-through assumes the full phase-in of goodwill and other intangible assets and other regulatory adjustments and the phase-out of certain capital instruments.

### BIS Requirements

The BCBS, the standard setting committee within the Bank for International Settlements (BIS), issued the Basel III framework with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector and requires banks to hold more capital, mainly in the form of common equity. The new capital standards are being phased in from 2013 through 2018 and will be fully effective January 1, 2019 for those countries that have adopted Basel III.

▸ Refer to the table "Basel III phase-in requirements for Credit Suisse" for capital requirements and applicable effective dates during the phase-in period.

## Basel III capital frameworks for Credit Suisse




[1] As of June 30, 2014, banks must hold, pursuant to both BIS and FINMA requirements, CET1 capital in the amount of 2% of RWA pertaining to mortgage loans that finance residential property in Switzerland.

[2] The progressive component requirement is dependent on our size (leverage exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA. For 2016, FINMA increased our 2019 progressive component requirement from 4.05% to 5.07% due to the latest assessment of relevant market shares.

[3] Counts towards Basel III minimum requirements as tier 1 or tier 2 capital, depending on the quality of the underlying instruments.

[4] Additional tier 1 instruments must provide for principal loss absorption through a conversion into common equity or write-down feature. The trigger for such a conversion or write-down must include a CET1 ratio of at least 5.125%.

Under Basel III, the minimum common equity tier 1 (CET1) requirement is 4.5% of RWA. In addition, a 2.5% CET1 capital conservation buffer is required to absorb losses in periods of financial and economic stress. Banks that do not maintain this buffer will be limited in their ability to pay dividends or make discretionary bonus payments or other earnings distributions.

A progressive buffer between 1% and 2.5% (with a possible additional 1% surcharge) of CET1, depending on a bank's systemic importance, is an additional capital requirement for global systemically important banks (G-SIB). The Financial Stability Board (FSB) has identified us as a G-SIB and requires us to maintain a 1.5% progressive buffer.

CET1 capital is subject to certain regulatory deductions and other adjustments to common equity, including the deduction of deferred tax assets for tax-loss carry-forwards, goodwill and other intangible assets and investments in banking and finance entities.

In addition to the CET1 requirements, there is also a requirement for 1.5% additional tier 1 capital and 2% tier 2 capital. These requirements may also be met with CET1 capital. To qualify as additional tier 1 under Basel III, capital instruments must provide for principal loss absorption through a conversion into common equity or a write-down of principal feature. The trigger for such conversion or write-down must include a CET1 ratio of at least 5.125%.

Basel III further provides for a countercyclical buffer that could require banks to hold up to 2.5% of CET1 or other capital that would be available to fully absorb losses. This requirement is expected to be imposed by national regulators where credit growth is deemed to be excessive and leading to the build-up of system-wide risk.

Capital instruments that do not meet the strict criteria for inclusion in CET1 are excluded. Capital instruments that would no longer qualify as tier 1 or tier 2 capital are phased out. In addition, instruments with an incentive to redeem prior to their stated maturity, if any, are phased out at their effective maturity date, generally the date of the first step-up coupon.

Banks are required to maintain a tier 1 leverage ratio of 3% starting on January 1, 2018.

## Basel III phase-in requirements for Credit Suisse

| Effective January 1, for the applicable year | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **Capital ratios** | | | | | |
| CET1 | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |
| Capital conservation buffer | | 0.625% [1] | 1.250% [1] | 1.875% [1] | 2.5% |
| Progressive buffer for G-SIB | | 0.375% [1] | 0.750% [1] | 1.125% [1] | 1.5% |
| **Total CET1** | **4.5%** | **5.5%** | **6.5%** | **7.5%** | **8.5%** |
| Additional tier 1 | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| **Tier 1** | **6.0%** | **7.0%** | **8.0%** | **9.0%** | **10.0%** |
| Tier 2 | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **Total capital** | **8.0%** | **9.0%** | **10.0%** | **11.0%** | **12.0%** |
| Phase-in deductions from CET1 [2] | 40.0% [1] | 60.0% [1] | 80.0% [1] | 100.0% | 100.0% |
| Capital instruments subject to phase-out | Phased out over a 10-year horizon beginning 2013 through 2022 | | | | |

[1] Indicates phase-in period.
[2] Includes goodwill, other intangible assets and certain deferred tax assets.

### Swiss Requirements

The legislation implementing the Basel III framework in Switzerland in respect of capital requirements for systemically relevant banks goes beyond Basel III's minimum standards, including requiring us, as a systemically relevant bank, to have the following minimum, buffer and progressive components.

▸ Refer to the chart "Swiss capital and leverage ratio phase-in requirements for Credit Suisse" for Swiss capital requirements and applicable effective dates during the phase-in period.

The minimum requirement of CET1 capital is 4.5% of RWA.

The buffer requirement is 8.5% and can be met with additional CET1 capital of 5.5% of RWA and a maximum of 3% of high-trigger capital instruments. High-trigger capital instruments must convert into common equity or be written off if the CET1 ratio falls below 7%.

The progressive component requirement is dependent on our size (leverage exposure) and the market share of our domestic systemically relevant business. Effective in 2015, FINMA set our progressive component requirement at 4.05% for 2019. In June 2015, FINMA notified us that, effective in 2016, the progressive component requirement for 2019 will be increased from 4.05% to 5.07% due to the latest assessment of relevant market shares. The progressive component requirement may be met with CET1 capital or low-trigger capital instruments. In order to qualify, low-trigger capital instruments must convert into common equity or be written off if the CET1 ratio falls below a specified percentage, the lowest of which may be 5%. In addition, until the end of 2017, the progressive component requirement may also be met with high-trigger capital instruments. Both high- and low-trigger capital instruments must comply with the Basel III minimum requirements for tier 2 capital (including subordination, point-of-non-viability loss absorption and minimum maturity).

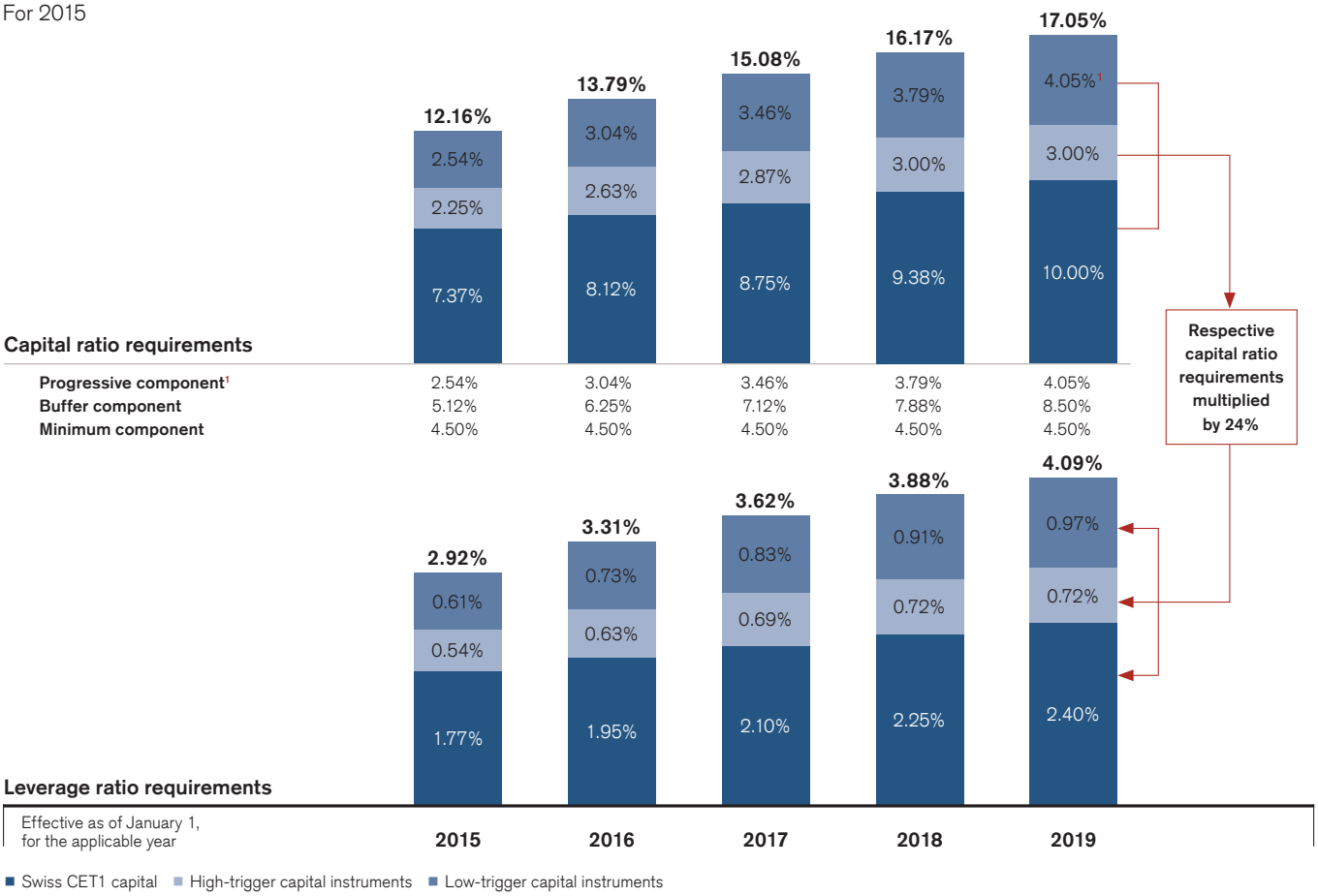
Similar to Basel III, the Swiss Requirements include a supplemental countercyclical buffer of up to 2.5% of RWA that can be activated during periods of excess credit growth. Effective September 30, 2013, the buffer was activated and initially required banks to hold CET1 capital in the amount of 1% of their RWA pertaining to mortgages that finance residential property in Switzerland. In January 2014, upon the request of the SNB, the Swiss Federal Council increased this countercyclical buffer from 1% to 2%, effective June 30, 2014.

In 2013, FINMA introduced increased capital charges for mortgages that finance owner occupied residential property in Switzerland (mortgage multiplier) to be phased in through January 1, 2019. The mortgage multiplier applies for purposes of both BIS and FINMA requirements.

In December 2013, FINMA issued a decree (FINMA Decree) specifying capital adequacy requirements for the Bank on a standalone basis (Bank parent company), and the Bank and the Group, each on a consolidated basis, as systemically relevant institutions.

We must also comply with a leverage ratio applicable to Swiss systemically relevant banks (Swiss leverage ratio). This leverage ratio must be at least 24% of each of the respective minimum, buffer and progressive component requirements. Since the ratio is defined by reference to capital requirements subject to phase-in arrangements, the ratio will also be phased in.

## Swiss capital and leverage ratio phase-in requirements for Credit Suisse




Excludes countercyclical buffer that was required as of September 30, 2013.

[1] The progressive component requirement is dependent on our size (leverage exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA. For 2016, FINMA increased our 2019 progressive component requirement from 4.05% to 5.07% due to the latest assessment of relevant market shares, which leads to a total capital ratio requirement of 18.07% and a Swiss leverage ratio requirement of 4.34%.

### Risk measurement models

Within the Basel framework for FINMA regulatory capital purposes, we implemented risk measurement models, including an incremental risk charge (IRC), stressed Value-at-Risk (VaR), risks not in VaR (RNIV) and advanced credit valuation adjustment (CVA).

The IRC is a regulatory capital charge for default and migration risk on positions in the trading books and is intended to complement additional standards being applied to the VaR modeling framework, including stressed VaR. Stressed VaR replicates a VaR calculation on the Group's current portfolio taking into account a one-year observation period relating to significant financial stress and helps reduce the pro-cyclicality of the minimum capital requirements for market risk. RNIV and stressed RNIV are risks that are not currently implemented within the Group's VaR model, such as certain basis risks, higher order risks and cross risks. Advanced CVA covers the risk of mark-to-market losses on the expected counterparty risk arising from changes in a counterparty's credit spreads.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period. In 2015, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

▸ Refer to "Market risk" in Risk management – Risk coverage and management for further information.

## REGULATORY DEVELOPMENTS AND PROPOSALS

In February 2015, the Swiss Federal Council adopted the report prepared by a group of experts (Brunetti Commission) regarding the further development of the financial market strategy. The report consisted of recommendations with respect to, among other things, safeguarding systemic stability and strengthening of the Swiss "Too Big to Fail" regime through measures such as a review of the RWA calculation method, a recalibration of capital requirements, adjustments to capital quality and supplementing the "Too Big to Fail" regime with TLAC requirements so that sufficient regulatory capital and other loss-absorbing instruments are available to make recovery or orderly resolution possible.

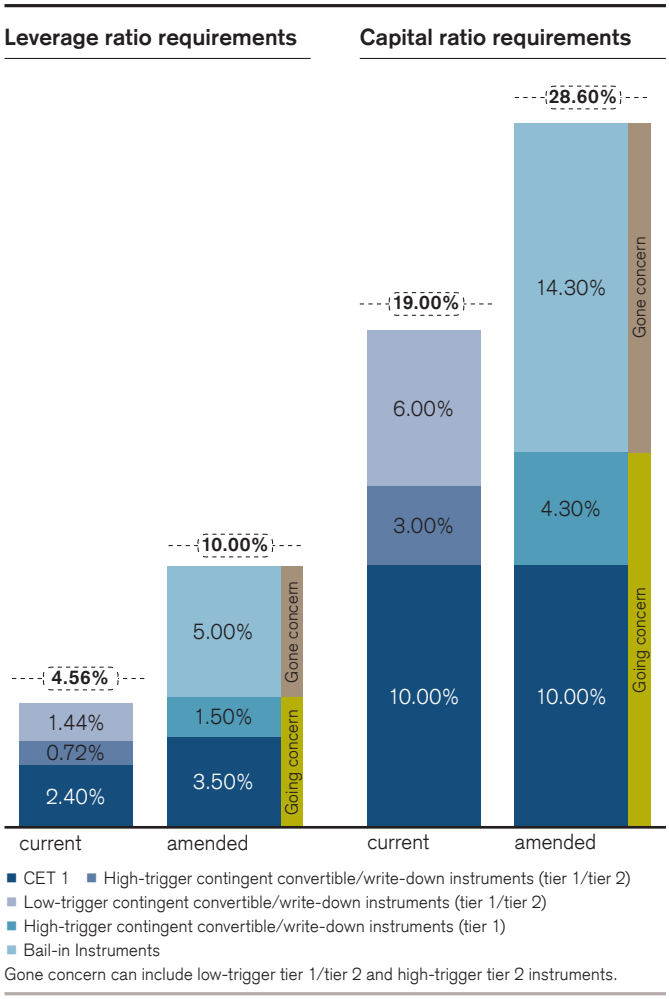
In March 2015, FINMA announced the introduction of a 1.6 multiplier on B/CCC/CC-rated investment banking corporate exposures. The phase-in of the multiplier was effective in the second quarter of 2015 and will be applied quarterly from the second quarter of 2015 through the first quarter of 2019, with a retroactive adjustment for the first quarter of 2015 in the second quarter of 2015.

In March 2015, FINMA introduced a 2.0 multiplier on residential income producing real estate (IPRE) and commercial IPRE held by retail clients, as well as a 1.5 multiplier on commercial IPRE held by non-retail clients. The phase-in of the IPRE multipliers started in the first quarter of 2015 and will continue through the first quarter of 2019.

In November 2015, the FSB issued the final TLAC standard for G-SIBs, such as Credit Suisse, which will become effective as of January 1, 2019, subject to a phase-in until January 1, 2022. The purpose of the standard is to enhance the ability of regulators to recapitalize a G-SIB at the point of non-viability in a manner that minimizes systemic disruption, preserves critical functions and limits the exposure of public sector funds. TLAC-eligible instruments will include instruments that count towards satisfying minimum regulatory capital requirements, as well as long-term unsecured debt instruments that have remaining maturities of no less than one year, are subordinated by statute, corporate structure or contract to certain excluded liabilities, including deposits, are held by unaffiliated third parties and meet certain other requirements. Excluding any applicable regulatory capital buffers that are otherwise required, the minimum TLAC requirement will be at least 16% of a G-SIB's RWA as of January 1, 2019 and increase to at least 18% as of January 1, 2022. In addition, the minimum TLAC requirement must also be at least 6% of the Basel III leverage ratio denominator as of January 1, 2019, and at least 6.75% as of January 1, 2022.

In December 2015, the Swiss Federal Department of Finance issued its proposal for an amendment to the Swiss "Too Big to Fail" regime, including the new TLAC requirements, for consultation. The new requirements are expected to become effective July 1, 2016, subject to phase-in. The detailed requirements confirm certain proposals in the "Too Big to Fail" legislation review that was announced by the Swiss Federal Council in October 2015 and provide additional clarity on the planned changes to the regime.

### Proposed "Too Big to Fail" requirements for Swiss G-SIBs




Gone concern can include low-trigger tier 1/tier 2 and high-trigger tier 2 instruments.

There were also changes to the Swiss "Too Big to Fail" regime as discussed in the Brunetti Commission and the formalization of TLAC requirements to implement the FSB's TLAC standard. According to the proposal, systemically important banks operating internationally, such as Credit Suisse, will be subject to minimum requirements for two differing types of loss-absorbing capital: capital to absorb current operating losses (going concern capital) and capital to fund an orderly resolution (gone concern capital). Under the going concern requirement, the Swiss leverage ratio must be 5%, of which the minimum CET1 component is 3.5%, with the remainder to be met with a maximum of 1.5% of high-trigger tier 1 capital instruments that would be converted into common equity or written down if the CET1 ratio falls below 7%. The capital requirement will be set at 14.3% of RWA, of which the minimum CET1 component is 10%, with the remainder to be met with a maximum of 4.3% of high-trigger tier 1 capital instruments. In addition, a gone concern requirement of 5% for the Swiss leverage ratio and a capital requirement of 14.3% of RWA will be introduced, which can be met with bail-in debt instruments.

In January 2016, the BCBS issued its final paper on the fundamental review of the trading book. The paper comprises a detailed set of principles for a comprehensive revision of the market risk framework, which becomes effective January 1, 2019.

**FINMA Decree**

The SNB has designated the Group as a financial group of systemic importance under applicable Swiss law. Following that designation, FINMA issued the FINMA Decree, effective since February 2, 2014, which requires the Group to fully comply with the special requirements for systemically important banks set out in the Capital Adequacy Ordinance. In addition to the capital adequacy requirements, it also specifies liquidity, risk diversification and disclosure requirements for the Bank parent company. To facilitate the application of these requirements within the Group and to allow Credit Suisse to continue its central treasury policy, the FINMA Decree also references forms of relief granted by FINMA within its stated authority that are designed to prevent the application of requirements at the Bank parent company level from effectively increasing the regulatory capital requirements applicable to the Group, notwithstanding all reasonable efforts by the Group to avoid such a situation.

FINMA also requires certain capital disclosures at the Bank parent company level, which can be found on our website. In addition, the FINMA Decree requires the disclosure of the following forms of relief:

- **New approach to stand-alone capital requirements**: Withdrawal of the previously granted form of relief for funding that the Bank parent company provides to Group subsidiaries. The new approach results in an increase in RWA at the Bank parent company level.
- **Reduction of regulatory capital requirement:** Risk-weighted capital requirement reduced to 14% from the current 17.05%, of which at least 10% must be held in the form of CET1 capital. This measure is a form of relief at the Bank parent company level in comparison with the minimum requirements set out by FINMA at the Group level.
- **Equal treatment of direct and indirect investments**: Direct and indirect investments in Group subsidiaries that are active in the financial sector and are held by the Bank parent company are treated equally. Directly and indirectly held investments in Group subsidiaries up to a bank-specific threshold set by FINMA are risk-weighted at 200%. Amounts above the threshold are deducted 50% from CET1 capital and 50% from total eligible capital. The deduction approach is similar to the treatment of capital instruments under Basel III and continues the previously applicable treatment under Swiss regulations. This measure may have the effect of changing RWA and/or total eligible capital. Depending on the calibration of the threshold, investments in Group subsidiaries require total eligible capital in a range between 28% (if all investments are risk-weighted) and 100% (if all investments are deducted from total eligible capital).

Overall, withdrawal of previous forms of relief, the introduction of stricter requirements and the provision of new forms of relief avoid a situation in which requirements at the Bank parent company would effectively dictate requirements at the Group level and, as such, effectively lead to higher capital ratios at the Bank parent company level.

## CAPITAL ISSUANCES AND REDEMPTIONS

**Issuances**

On November 19, 2015, the Group held an Extraordinary General Meeting, at which shareholders approved two capital increases. We completed the first capital increase on November 23, 2015 by way of a private placement of 58,000,000 newly issued shares to a number of qualified investors.

We completed the second capital increase by way of a rights offering. A syndicate of major international banks (Managers), including Citigroup Global Markets Limited, HSBC Bank plc and Société Générale (Joint Lead Managers), committed to firmly underwrite the new shares issued under the rights offering, with the exception of the new shares for which investors committed to exercise preemptive subscription rights in connection with the new shares they acquired in the first capital increase. The Group, the Bank and the Joint Lead Managers also entered into conditional purchase arrangements with a number of qualified investors, including certain shareholders, whereby such parties agreed, in return for a fee, at the Managers' option, to purchase a specified number of shares in respect of which pre-emptive rights were not validly exercised during the rights exercise period (rump shares). By the end of the rights exercise period on December 3, 2015, 99.0% of the rights had been exercised and 258,445,328 newly issued shares were subscribed. The remaining 2,538,570 rump shares were sold in the market.

The two capital increases resulted in 318,983,898 newly issued shares and gross proceeds to the Group of CHF 6.0 billion.

**Redemptions**

In the second quarter of 2015, we redeemed the remaining outstanding perpetual preferred securities of GBP 20 million of additional tier 1 capital instruments subject to phase-out.

In the third quarter of 2015, we called the remaining outstanding principal balances of tier 2 capital instruments subject to phase-out in the amounts of EUR 293 million and GBP 37 million.

**Contingent convertible capital instruments**

We have issued high-trigger and low-trigger capital instruments to meet our capital requirements. Our high-trigger instruments (with the exception of Contingent Capital Awards (CCA)) mandatorily convert into our ordinary shares upon the occurrence of certain specified triggering events. These events include our CET1 ratio falling below 7% (or any lower applicable minimum threshold), or a determination by FINMA that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances. Conversion can only be

prevented if FINMA, at our request, is satisfied that certain conditions exist and conversion is not required. High-trigger instruments are designed to absorb losses before our other capital instruments, including the low-trigger capital instruments. The features of low-trigger capital instruments are described below. CCA would not convert into common equity, but would be written down to zero upon a trigger event.

**Higher Trigger Capital Amount**

The capital ratio write-down triggers for certain of our outstanding capital instruments take into account the fact that other outstanding capital instruments that contain relatively higher capital ratios as part of their trigger feature are expected to convert or be written down prior to the write-down of such capital instruments. The amount of additional capital that is expected to be contributed by such conversion or write-down is referred to as the Higher Trigger Capital Amount.

The following tier 1 capital notes (collectively, Tier 1 Capital Notes), which have a trigger amount of 5.125% and qualify as low trigger capital instruments, were outstanding as of December 31, 2015:

- USD 2.5 billion 6.25% tier 1 capital notes;
- USD 2.25 billion 7.5% tier 1 capital notes; and
- CHF 290 million 6.0% tier 1 capital notes.

The following tier 2 capital notes (collectively, Tier 2 Capital Notes), which have a trigger amount of 5% and qualify as low trigger capital instruments, were outstanding as of December 31, 2015:

- USD 2.5 billion 6.5% tier 2 capital notes; and
- EUR 1.25 billion 5.75% tier 2 capital notes.

Each of the series of Tier 1 Capital Notes and Tier 2 Capital Notes qualify as low-trigger capital instruments and have a write-down feature, which means that the full principal amount of the notes will be permanently written down to zero upon the occurrence of specified triggering events. These events occur when the amount of our CET1 ratio, together with an additional ratio described below that takes into account other outstanding capital instruments, falls below 5.125% for the Tier 1 Capital Notes and 5% for the Tier 2 Capital Notes. The write-down can only be prevented if FINMA, at our request, is satisfied that certain conditions exist and determines a write-down is not required. The capital notes will also be written down upon a non-viability event, which occurs when FINMA determines that a write-down is necessary, or that we require extraordinary public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances.

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5.125%, the Higher Trigger Capital Amount was CHF 9.2 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all RWA of the Group) was 3.1%, both as of the end of 2015.

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5%, the Higher Trigger Capital Amount was CHF 14.3 billion and the Higher Trigger Capital Ratio was 4.9%, both as of the end of 2015.

▸ Refer to the table "BIS capital metrics – Group" for further information on the BIS metrics used to calculate such measures.

## BIS CAPITAL METRICS

**Regulatory capital and ratios**

Our CET1 ratio was 14.3% as of the end of 2015 compared to 14.9% as of the end of 2014, reflecting lower CET1 capital and slightly higher RWA. Our tier 1 ratio was 18.0% as of the end of 2015 compared to 17.1% as of the end of 2014. Our total capital ratio was 21.3% as of the end of 2015 compared to 20.8% as of the end of 2014.

CET1 capital was CHF 42.1 billion as of the end of 2015 compared to CHF 43.3 billion as of the end of 2014, mainly reflecting an additional annual 20% phase-in of regulatory deductions from CET1 (from 20% to 40%), including goodwill, other intangible assets and certain deferred tax assets, and an additional annual 20% decrease in the adjustment for the accounting treatment of pension plans (from 80% to 60%), pursuant to phase-in requirements, a net loss attributable to shareholders, adjusted for a regulatory reversal of the goodwill impairment, a negative foreign exchange impact, the cash component of a dividend accrual and the net effect of share-based compensation. These decreases were partially offset by the capital increase.

### BIS capital metrics – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | **2015** | 2014 | % change | **2015** | 2014 | % change |
| **Capital and risk-weighted assets (CHF million)** | | | | | | |
| CET1 capital | 42,072 | 43,322 | (3) | 32,938 | 28,576 | 15 |
| Tier 1 capital | 53,063 | 49,804 | 7 | 44,601 | 39,892 | 12 |
| Total eligible capital | 62,682 | 60,751 | 3 | 51,425 | 46,876 | 10 |
| Risk-weighted assets | 294,950 | 291,410 | 1 | 289,946 | 284,248 | 2 |
| **Capital ratios (%)** | | | | | | |
| CET1 ratio | 14.3 | 14.9 | – | 11.4 | 10.1 | – |
| Tier 1 ratio | 18.0 | 17.1 | – | 15.4 | 14.0 | – |
| Total capital ratio | 21.3 | 20.8 | – | 17.7 | 16.5 | – |

## Eligible capital – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | **2015** | 2014 | % change | **2015** | 2014 | % change |
| **Eligible capital (CHF million)** | | | | | | |
| **Total shareholders' equity** | **44,382** | **43,959** | 1 | **44,382** | **43,959** | 1 |
| Regulatory adjustments [1] | (459) | (375) | 22 | (459) | (375) | 22 |
| **Adjustments subject to phase-in** | | | | | | |
| Accounting treatment of defined benefit pension plans | 2,132 | 2,423 | (12) | – | – | – |
| Common share capital issued by subsidiaries and held by third parties | 89 | 52 | 71 | – | – | – |
| Goodwill [2] | (1,906) | (1,714) | 11 | (4,765) | (8,571) | (44) |
| Other intangible assets [2] | (28) | (28) | 0 | (71) | (138) | (49) |
| Deferred tax assets that rely on future profitability | (1,262) | (650) | 94 | (3,155) | (3,250) | (3) |
| Shortfall of provisions to expected losses | (234) | (114) | 105 | (584) | (569) | 3 |
| Gains/(losses) due to changes in own credit on fair-valued liabilities | (185) | (53) | 249 | (463) | (266) | 74 |
| Defined benefit pension assets [2] | (244) | (131) | 86 | (611) | (657) | (7) |
| Investments in own shares | (8) | (1) | – | (21) | (7) | 200 |
| Other adjustments [3] | (2) | 1 | – | (5) | 7 | – |
| Deferred tax assets from temporary differences (threshold-based) | (203) | (47) | 332 | (1,310) | (1,557) | (16) |
| **Adjustments subject to phase-in** | **(1,851)** [4] | **(262)** | – | **(10,985)** | **(15,008)** | (27) |
| **CET1 capital** | **42,072** | **43,322** | (3) | **32,938** | **28,576** | 15 |
| High-trigger capital instruments (7% trigger) | 6,562 | 6,205 | 6 | 6,562 | 6,205 | 6 |
| Low-trigger capital instruments (5.125% trigger) | 5,101 | 5,111 | 0 | 5,101 | 5,111 | 0 |
| **Additional tier 1 instruments** | **11,663** | **11,316** | 3 | **11,663** | **11,316** | 3 |
| Additional tier 1 instruments subject to phase-out [5] | 2,616 | 2,473 | 6 | – | – | – |
| Deductions from additional tier 1 capital | (3,288) [6] | (7,307) | (55) | – | – | – |
| **Additional tier 1 capital** | **10,991** | **6,482** | 70 | **11,663** | **11,316** | 3 |
| **Tier 1 capital** | **53,063** | **49,804** | 7 | **44,601** | **39,892** | 12 |
| High-trigger capital instruments (7% trigger) | 2,682 | 2,689 | 0 | 2,682 | 2,689 | 0 |
| Low-trigger capital instruments (5% trigger) | 4,142 | 4,295 | (4) | 4,142 | 4,295 | (4) |
| **Tier 2 instruments** | **6,824** | **6,984** | (2) | **6,824** | **6,984** | (2) |
| Tier 2 instruments subject to phase-out | 2,970 | 4,190 | (29) | – | – | – |
| Deductions from tier 2 capital | (175) | (227) | (23) | – | – | – |
| **Tier 2 capital** | **9,619** | **10,947** | (12) | **6,824** | **6,984** | (2) |
| **Total eligible capital** | **62,682** | **60,751** | 3 | **51,425** | **46,876** | 10 |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Net of deferred tax liability.
[3] Includes cash flow hedge reserve.
[4] Reflects 40% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 60% of an adjustment primarily for the accounting treatment of pension plans pursuant to phase-in requirements.
[5] Includes hybrid capital instruments that are subject to phase-out.
[6] Includes 60% of goodwill and other intangible assets (CHF 3.0 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.

Additional tier 1 capital increased to CHF 11.0 billion as of the end of 2015 compared to CHF 6.5 billion as of the end of 2014, mainly due to the regulatory adjustment for the goodwill impairment, an additional annual 20% phase-in of regulatory deductions (from 80% to 60%), including goodwill, other intangible assets and other capital deductions, and the impact of an accrual relating to CCA granted as part of deferred compensation.

Tier 2 capital was CHF 9.6 billion as of the end of 2015 compared to CHF 10.9 billion as of the end of 2014, mainly due to the impact of the prescribed amortization requirement as instruments move closer to their maturity date, the redemptions and the negative foreign exchange impact.

Total eligible capital as of the end of 2015 was CHF 62.7 billion compared to CHF 60.8 billion as of the end of 2014, primarily reflecting the increase in additional tier 1 capital, partially offset by decreases in CET1 capital and tier 2 capital.

## Capital movement – Group

| | | Phase-in | | Look-through |
|---|---|---|---|---|
| end of | **2015** | 2014 | **2015** | 2014 |
| **CET1 capital (CHF million)** | | | | |
| **Balance at beginning of period** | **43,322** | **42,989** | **28,576** | **26,480** |
| Net income/(loss) attributable to shareholders | (2,944) | 1,875 | (2,944) | 1,875 |
| Foreign exchange impact | (1,127) [1] | 1,967 | (1,111) | 989 |
| Impact of deductions relating to phase-in requirements | (3,356) | (3,015) | 0 | 0 |
| Issuances | 5,832 [2] | 0 | 5,832 | 0 |
| Regulatory adjustment of goodwill and intangible assets, net of deferred tax liability | 1,536 | 14 | 3,840 | 71 |
| Regulatory adjustment of own credit on fair-valued financial liabilities | (69) | (108) | (173) | (542) |
| Other | (1,122) [3] | (400) | (1,082) | (297) |
| **Balance at end of period** | **42,072** | **43,322** | **32,938** | **28,576** |
| **Additional tier 1 capital (CHF million)** | | | | |
| **Balance at beginning of period** | **6,482** | **3,072** | **11,316** | **7,484** |
| Foreign exchange impact | 9 | 554 | 6 | 856 |
| Impact of deductions relating to phase-in requirements | 1,827 | 1,607 | 0 | 0 |
| Issuances | 0 | 2,721 | 0 | 2,721 |
| Redemptions | (29) | (1,590) | 0 | 0 |
| Regulatory adjustment of goodwill and intangible assets, net of deferred tax liability | 2,304 | 57 | 0 | 0 |
| Regulatory adjustment of own credit on fair-valued financial liabilities | (97) | (442) | 0 | 0 |
| Other | 495 [4] | 503 | 341 | 255 |
| **Balance at end of period** | **10,991** | **6,482** | **11,663** | **11,316** |
| **Tier 2 capital (CHF million)** | | | | |
| **Balance at beginning of period** | **10,947** | **10,227** | **6,984** | **6,245** |
| Foreign exchange impact | (272) | 699 | (167) | 427 |
| Impact of deductions relating to phase-in requirements | 57 | 62 | 0 | 0 |
| Redemptions | (338) | 0 | 0 | 0 |
| Other | (775) [5] | (41) | 7 | 312 |
| **Balance at end of period** | **9,619** | **10,947** | **6,824** | **6,984** |
| **Eligible capital (CHF million)** | | | | |
| **Balance at end of period** | **62,682** | **60,751** | **51,425** | **46,876** |

[1] Includes US GAAP cumulative translation adjustments and the foreign exchange impact on regulatory CET1 adjustments.
[2] Represents the issuance of common shares in the amount of CHF 6.0 billion, net of related fees and taxes, recorded in additional paid-in-capital.
[3] Includes the net effect of share-based compensation and pensions, the impact of a dividend accrual, which includes the assumption that 60% of the proposed dividend is distributed in shares and a change in other regulatory adjustments (e.g., certain deferred tax assets).
[4] Reflects a change in regulatory adjustments and other movements on additional tier 1 instruments, including the positive impact of an accrual relating to Contingent Capital Awards granted as part of deferred compensation.
[5] Primarily reflects the impact of the prescribed amortization requirement as instruments move closer to their maturity date.

As of the end of 2015, the look-through CET1 ratio was 11.4% compared to 10.1% as of the end of 2014. As of the end of 2015, the look-through total capital ratio was 17.7%, compared to 16.5% as of the end of 2014.

## Risk-weighted assets – Group

**Phase-in**

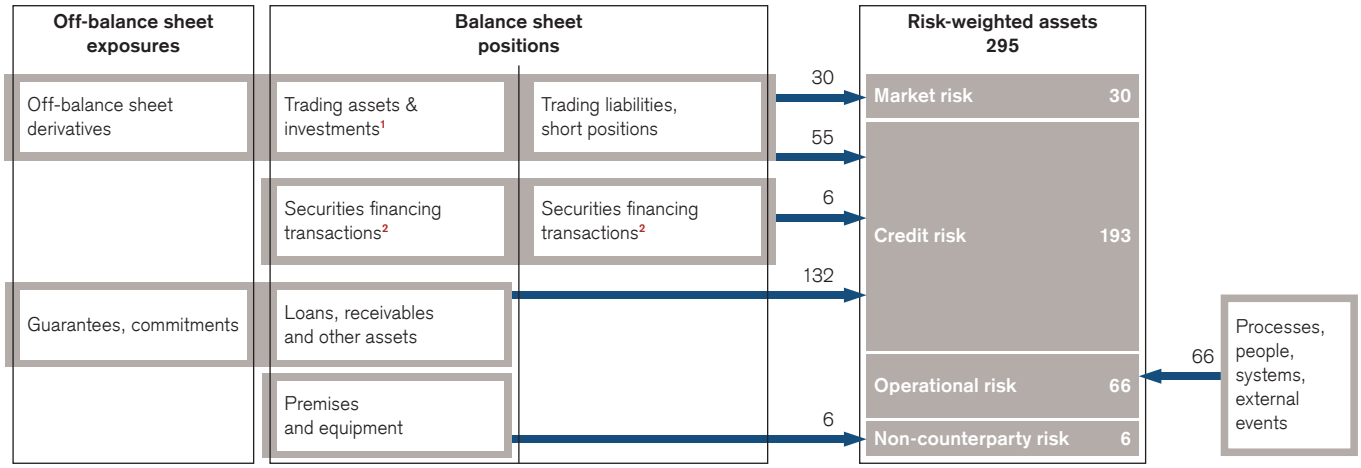
| | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Group |
|---|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | | |
| Credit risk | 47,833 | 18,496 | 15,577 | 41,195 | 14,559 | 38,335 | 17,203 | **193,198** |
| Market risk | 658 | 725 | 5,170 | 19,247 | 83 | 3,747 | 169 | **29,799** |
| Operational risk | 11,056 | 12,932 | 6,812 | 13,206 | 3,182 | 19,250 | 0 | **66,438** |
| Non-counterparty risk | 322 | 254 | 65 | 58 | 0 | 306 | 4,510 | **5,515** |
| **Risk-weighted assets** | **59,869** | **32,407** | **27,624** | **73,706** | **17,824** | **61,638** | **21,882** | **294,950** |
| **2014 (CHF million)** | | | | | | | | |
| Credit risk | 46,789 | 19,557 | 14,372 | 39,728 | 12,284 | 41,553 | 18,380 | **192,663** |
| Market risk | 871 | 789 | 6,951 | 21,280 | 0 | 4,406 | 171 | **34,468** |
| Operational risk | 9,316 | 10,897 | 5,740 | 12,222 | 1,586 | 18,652 | 0 | **58,413** |
| Non-counterparty risk | 315 | 228 | 76 | 50 | 0 | 461 | 4,736 | **5,866** |
| **Risk-weighted assets** | **57,291** | **31,471** | **27,139** | **73,280** | **13,870** | **65,072** | **23,287** | **291,410** |

**Look-through**

| | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | Corporate Center | Group |
|---|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | | |
| Credit risk | 47,833 | 18,496 | 15,577 | 41,195 | 14,559 | 38,335 | 12,199 | **188,194** |
| Market risk | 658 | 725 | 5,170 | 19,247 | 83 | 3,747 | 169 | **29,799** |
| Operational risk | 11,056 | 12,932 | 6,812 | 13,206 | 3,182 | 19,250 | 0 | **66,438** |
| Non-counterparty risk | 322 | 254 | 65 | 58 | 0 | 306 | 4,510 | **5,515** |
| **Risk-weighted assets** | **59,869** | **32,407** | **27,624** | **73,706** | **17,824** | **61,638** | **16,878** | **289,946** |
| **2014 (CHF million)** | | | | | | | | |
| Credit risk | 46,789 | 19,557 | 14,372 | 39,728 | 12,284 | 41,553 | 11,218 | **185,501** |
| Market risk | 871 | 789 | 6,951 | 21,280 | 0 | 4,406 | 171 | **34,468** |
| Operational risk | 9,316 | 10,897 | 5,740 | 12,222 | 1,586 | 18,652 | 0 | **58,413** |
| Non-counterparty risk | 315 | 228 | 76 | 50 | 0 | 461 | 4,736 | **5,866** |
| **Risk-weighted assets** | **57,291** | **31,471** | **27,139** | **73,280** | **13,870** | **65,072** | **16,125** | **284,248** |

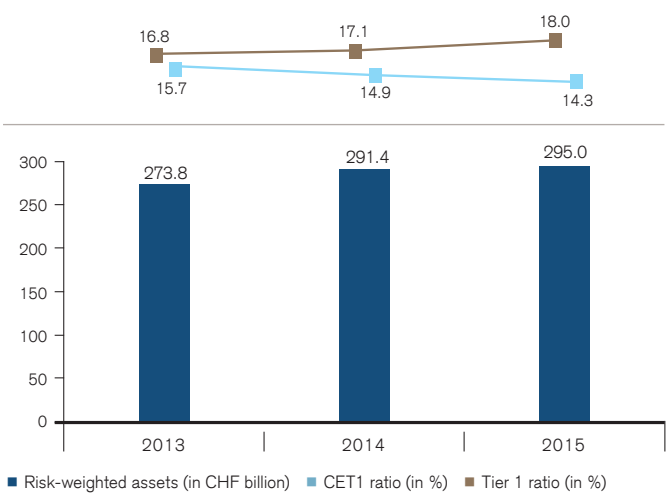
## Risk-weighted assets – Group

as of December 31, 2015 (CHF billion)




[1] Includes primarily trading assets, investment securities and other investments.
[2] Includes central bank funds sold, securities purchased under resale agreements and central bank funds purchased, securities sold under repurchase agreements and securities lending transactions.

## Risk-weighted assets and capital ratios – Group




### RISK-WEIGHTED ASSETS

Our balance sheet positions and off-balance sheet exposures translate into RWA that are categorized as credit, market, operational and non-counterparty-risk RWA. When assessing RWA, it is not the nominal size, but the nature (including risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the RWA. Credit risk RWA reflect the capital requirements for the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty. Under Basel III, certain regulatory capital adjustments are dependent on the level of CET1 capital (thresholds). The amount above the threshold is deducted from CET1 capital and the amount below the threshold is risk weighted. RWA subject to such threshold adjustments are included in credit risk RWA. Market risk RWA reflect the capital requirements of potential changes in the fair values of financial instruments in response to market movements inherent in both balance sheet and off-balance sheet items. Operational risk RWA reflect the capital requirements for the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Non-counterparty-risk RWA primarily reflect the capital requirements for our premises and equipment.

RWA increased 1% to CHF 295.0 billion as of the end of 2015 from CHF 291.4 billion as of the end of 2014, primarily driven by internal methodology and policy changes in operational risk and credit risk. There were also increases in external methodology and policy changes in credit risk and model and parameter updates, primarily in operational risk. This was partially offset by movements in risk levels, primarily in credit risk, and the foreign exchange impact.

Excluding the foreign exchange impact, the increase in **credit risk** was primarily driven by internal and external methodology and policy changes, partially offset by movements in risk levels. External methodology and policy changes related to the introduction of a multiplier on certain investment banking corporate exposures and the impact of calculating RWA for certain banking book securitizations under the standardized approach, previously calculated under the A-IRB approach. External methodology and policy changes also reflected the phase-in of the multipliers on residential and commercial IPRE and new regulatory requirements relating to collateral eligibility criteria. The increase in internal methodology

and policy changes mainly resulted from model adjustments in response to the SNB's decision to discontinue the minimum exchange rate of the Swiss franc against the euro, an improvement in the calculation of derivative risk and a change in the calculation methodology for lombard lending. Increases in model and parameter updates were primarily driven by a time series update of the data set related to CVA and an annual PD update. Movements in risk levels were attributable to book size and book quality. The decrease attributable to book size primarily resulted from reductions in derivative exposures, the impact of the Basel III phase-in requirements at the beginning of 2015 and a new loan securitization, partially offset by an increase in commercial lending exposures. The decrease attributable to book quality primarily resulted from lower risk weightings of lending exposures.

Excluding the foreign exchange impact, the decrease in **market risk** was primarily driven by decreases in model and parameter updates and internal methodology and policy changes, partially offset by movements in risk levels. The decrease in model and parameter updates related to changes in market data and stressed spreads and the decrease in internal methodology and policy changes was mainly due to refinements of certain risk models. The movements in risk levels relating to market volatility were partially offset by reductions in trading book securitizations.

The movement in **operational risk** was driven by methodology and policy changes and model and parameter updates. The internal methodology and policy changes primarily included certain AMA model enhancements, including the introduction of an analytical approach to capture the aggregate range of reasonably possible litigation losses that are not covered by existing provisions. These reasonably possible litigation losses were previously captured through an add-on component under external methodology and policy changes. The add-on component was removed with FINMA approval in connection with the introduction of the new analytical approach. The increase in model and parameter updates resulted from revised scenarios relating to litigation matters in 2015.

### Risk-weighted asset movement by risk type – Group

| 2015 (CHF million) | Credit risk | Market risk | Operational risk | Non-counterparty risk | Total risk-weighted assets |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Balance at beginning of period** | **192,663** | **34,468** | **58,413** | **5,866** | **291,410** |
| Foreign exchange impact | (3,139) | (874) | 0 | 0 | (4,013) |
| Movements in risk levels | (11,036) | 2,122 | 0 | (351) | (9,265) |
| of which credit risk – book size [1] | (6,643) | – | – | – | – |
| of which credit risk – book quality [2] | (4,393) | – | – | – | – |
| Model and parameter updates [3] | 958 | (3,327) | 3,600 | 0 | 1,231 |
| Methodology and policy – internal [4] | 5,314 | (2,590) | 11,300 | 0 | 14,024 |
| Methodology and policy – external [5] | 8,438 | 0 | (6,875) | 0 | 1,563 |
| **Balance at end of period – phase-in** | **193,198** | **29,799** | **66,438** | **5,515** | **294,950** |
| Look-through adjustment [6] | (5,004) | – | – | – | (5,004) |
| **Balance at end of period – look-through** | **188,194** | **29,799** | **66,438** | **5,515** | **289,946** |

[1] Represents changes in portfolio size.
[2] Represents changes in average risk weighting across credit risk classes.
[3] Represents movements arising from updates to models and recalibrations of parameters.
[4] Represents internal changes impacting how exposures are treated.
[5] Represents externally prescribed regulatory changes impacting how exposures are treated.
[6] The look-through adjustment impacts only credit risk within the Corporate Center. The difference between phase-in and look-through risk-weighted assets relates to transitional arrangements such as the impact from pension assets and deferred tax assets not deducted from CET1 during the phase-in period and the transitional impact from threshold-related risk-weighted assets.

## LEVERAGE METRICS

Beginning in the first quarter of 2015, Credit Suisse adopted the BIS leverage ratio framework, as issued by the BCBS and implemented in Switzerland by FINMA. Under the BIS framework, the leverage ratio measures tier 1 capital against the end-of-period exposure. BIS leverage amounts are calculated based on our interpretation of, and assumptions and estimates related to, the BIS requirements as implemented in Switzerland by FINMA. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown here. As used herein, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments.

Leverage amounts as of the end of 2014, which are presented to show meaningful comparative information, are based on estimates which are calculated as if the BIS leverage ratio framework had been effective in Switzerland at such time.

## Leverage exposure components – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | **2015** | 2014 | % change | **2015** | 2014 | % change |
| **Leverage exposure (CHF million)** | | | | | | |
| **Balance sheet assets** | **820,805** | **921,462** | (11) | **820,805** | **921,462** | (11) |
| **Adjustments** | | | | | | |
| Difference in scope of consolidation and tier 1 capital deductions [1] | (10,553) | (18,896) | (44) | (16,431) | (26,797) | (39) |
| Derivative financial instruments | 104,353 | 171,087 | (39) | 104,353 | 171,087 | (39) |
| Securities financing transactions | (16,214) | (13,965) | 16 | (16,214) | (13,965) | 16 |
| Off-balance sheet | 95,115 | 97,869 | (3) | 95,115 | 97,869 | (3) |
| **Total adjustments** | **172,701** | **236,095** | (27) | **166,823** | **228,194** | (27) |
| **Leverage exposure** | **993,506** | **1,157,557** | (14) | **987,628** | **1,149,656** | (14) |

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

## Look-through leverage exposure – Group

| | **2015** | 2014 |
|---|---|---|
| **Look-through leverage exposure (CHF million)** | | |
| Swiss Universal Bank | 235,700 | 238,856 |
| International Wealth Management | 99,112 | 84,369 |
| Asia Pacific | 98,698 | 137,843 |
| Global Markets | 313,315 | 412,316 |
| Investment Banking & Capital Markets | 42,861 | 42,017 |
| Strategic Resolution Unit | 138,219 | 219,075 |
| Corporate Center | 59,723 | 15,180 |
| **Leverage exposure** | **987,628** | **1,149,656** |

## BIS leverage metrics – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | **2015** | 2014 | % change | **2015** | 2014 | % change |
| **Capital (CHF million)** | | | | | | |
| CET1 capital | 42,072 | 43,322 | (3) | 32,938 | 28,576 | 15 |
| Tier 1 capital | 53,063 | 49,804 | 7 | 44,601 | 39,892 | 12 |
| **Leverage exposure (CHF million)** | | | | | | |
| Leverage exposure | 993,506 | 1,157,557 | (14) | 987,628 | 1,149,656 | (14) |
| **Leverage ratios (%)** | | | | | | |
| CET1 leverage ratio | 4.2 | 3.7 | – | 3.3 | 2.5 | – |
| Tier 1 leverage ratio | 5.3 | 4.3 | – | 4.5 | 3.5 | – |

The leverage exposure was CHF 993.5 billion as of the end of 2015 a decrease of 14% compared to the end of 2014. The decrease is primarily due to a reduction in the Group's consolidated balance sheet, reflecting a decrease in operating activities and the foreign exchange translation impact. The leverage exposure was also impacted by a decrease in adjustments for derivative financial instruments, reflecting a reduction in derivative transactions.

▸ Refer to "Balance sheet, off-balance sheet and other contractual obligations" for further information on the reduction in the Group's consolidated balance sheet.

### BIS leverage ratios – Group

The tier 1 leverage ratio was 5.3% as of the end of 2015, with a CET1 component of 4.2%. On a look-through basis, the tier 1 leverage ratio was 4.5%, with a CET1 component of 3.3%.

The tier 1 leverage ratio increased from 4.3% as of the end of 2014, reflecting the decrease in leverage exposure and the increase in tier 1 capital. The CET1 leverage ratio increased from 3.7% as of the end of 2014, reflecting the decrease in leverage exposure, partially offset by lower CET1 capital.

▸ Refer to "BIS capital metrics" for further information on the movements in CET1 and tier 1 capital.

## SWISS CAPITAL METRICS

### Swiss regulatory capital and ratios

▸ Refer to "Swiss Requirements" in Regulatory capital framework for further information on Swiss regulatory requirements.

Swiss CET1 capital consists of BIS CET1 capital and certain Swiss regulatory adjustments. Swiss total eligible capital consists of Swiss CET1 capital, high-trigger capital instruments, low-trigger capital instruments, additional tier 1 instruments and tier 2 instruments subject to phase-out and deductions from additional tier 1 and tier 2 capital.

As of the end of 2015, our Swiss CET1 capital and Swiss total capital ratios were 14.2% and 21.1%, respectively, compared to the Swiss capital ratio phase-in requirements of 7.37% and 12.16%, respectively.

On a look-through basis, our Swiss CET1 capital was CHF 32.8 billion and our Swiss CET1 ratio was 11.3% as of the end of 2015. Our Swiss total eligible capital was CHF 51.3 billion and our Swiss total capital ratio was 17.6% as of the end of 2015, each on a look-through basis.

### Swiss capital metrics – Group

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | **2015** | 2014 | % change | **2015** | 2014 | % change |
| **Capital development (CHF million)** | | | | | | |
| CET1 capital | 42,072 | 43,322 | (3) | 32,938 | 28,576 | 15 |
| Swiss regulatory adjustments [1] | (143) | (133) | 8 | (151) | (143) | 6 |
| **Swiss CET1 capital** | **41,929** | **43,189** | **(3)** | **32,787** | **28,433** | **15** |
| Additional tier 1 instruments | 6,562 | 6,204 | 6 | 6,562 | 6,204 | 6 |
| Tier 2 instruments | 2,682 | 2,689 | 0 | 2,682 | 2,689 | 0 |
| **High-trigger capital instruments** | **9,244** | **8,893** | 4 | **9,244** | **8,893** | 4 |
| Additional tier 1 instruments | 5,101 | 5,111 | 0 | 5,101 | 5,111 | 0 |
| Tier 2 instruments | 4,142 | 4,295 | (4) | 4,142 | 4,295 | (4) |
| **Low-trigger capital instruments** | **9,243** | **9,406** | (2) | **9,243** | **9,406** | (2) |
| Additional tier 1 and tier 2 instruments subject to phase-out | 5,586 | 6,663 | (16) | – | – | – |
| Deductions from additional tier 1 and tier 2 capital | (3,463) | (7,533) | (54) | – | – | – |
| **Swiss total eligible capital** | **62,539** | **60,618** | **3** | **51,274** | **46,732** | **10** |
| **Risk-weighted assets (CHF million)** | | | | | | |
| Risk-weighted assets – Basel III | 294,950 | 291,410 | 1 | 289,946 | 284,248 | 2 |
| Swiss regulatory adjustments [2] | 908 | 1,058 | (14) | 907 | 1,057 | (14) |
| **Swiss risk-weighted assets** | **295,858** | **292,468** | **1** | **290,853** | **285,305** | **2** |
| **Swiss capital ratios (%)** | | | | | | |
| Swiss CET1 ratio | 14.2 | 14.8 | – | 11.3 | 10.0 | – |
| Swiss total capital ratio | 21.1 | 20.7 | – | 17.6 | 16.4 | – |

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Primarily includes differences in the credit risk multiplier.

The following table presents the Swiss Requirements for each of the relevant capital components and discloses our current capital metrics against those requirements.

## Swiss capital requirements and coverage – Group

| | | | | | Group |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | **2015** |
| **Risk-weighted assets (CHF billion)** | | | | | |
| Swiss risk-weighted assets | – | – | – | – | **295.9** |
| **2015 Swiss capital requirements** [1] | | | | | |
| Minimum Swiss capital ratio | 4.50% | 5.12% [2] | 2.54% | – | **12.16%** |
| Minimum Swiss capital (CHF billion) | 13.3 | 15.2 | 7.5 | – | **36.0** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 13.3 | 8.5 | – | 20.1 | **41.9** |
| High-trigger capital instruments | – | 6.7 | – | 2.6 | **9.2** |
| Low-trigger capital instruments | – | – | 7.5 | 1.8 | **9.2** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 5.6 | **5.6** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (3.5) | **(3.5)** |
| **Swiss total eligible capital** | **13.3** | **15.2** | **7.5** | **26.6** | **62.5** |
| **Swiss capital ratios (%)** | | | | | |
| Swiss total capital ratio | 4.50% | 5.12% | 2.54% | 8.98% | **21.14%** |

Rounding differences may occur.
[1] The Swiss capital requirements are based on a percentage of RWA.
[2] Excludes countercyclical buffer that was required as of September 30, 2013. As of the end of 2015, the countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 351 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

### SWISS LEVERAGE METRICS

The leverage exposure used in the Swiss leverage ratio is measured on the same period-end basis as the leverage exposure for the ⟳ BIS leverage ratio.

## Swiss leverage metrics – Group

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | **Phase-in** | | | **Look-through** |
| end of | **2015** | 2014 | % change | **2015** | 2014 | % change |
| **Swiss leverage metrics (CHF million, except where indicated)** | | | | | | |
| Swiss total eligible capital | 62,539 | 60,618 | 3 | 51,274 | 46,732 | 10 |
| Leverage exposure | 993,506 | 1,157,557 | (14) | 987,628 | 1,149,656 | (14) |
| Swiss leverage ratio (%) | 6.3 | 5.2 | – | 5.2 | 4.1 | – |

The Swiss leverage ratio is calculated as Swiss total eligible capital, including high- and low-trigger capital instruments, divided by leverage exposure.

As of the end of 2015, our Swiss leverage ratio was 6.3% compared to a requirement of 2.92%.

The Group's look-through Swiss leverage ratio was 5.2% as of the end of 2015, compared to the current 4.09% requirement effective 2019, reflecting our progressive component requirement for 2015. For 2016, the Swiss leverage ratio requirement effective 2019 will be 4.34%.

The following table presents the Swiss Requirements relating to each of the relevant capital components and discloses our current leverage metrics against those requirements.

## Swiss leverage requirements and coverage – Group

| | | | | | Group |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2015 |
| **Exposure (CHF billion)** | | | | | |
| Leverage exposure | – | – | – | – | **993.5** |
| **2015 Swiss leverage requirements** | | | | | |
| Minimum Swiss leverage ratio | 1.08% | 1.23% | 0.61% | – | **2.92%** |
| Minimum Swiss capital (CHF billion) | 10.7 | 12.2 | 6.0 | – | **29.0** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 10.7 | 6.9 | – | 24.3 | **41.9** |
| High-trigger capital instruments | – | 5.4 | – | 3.9 | **9.2** |
| Low-trigger capital instruments | – | – | 6.0 | 3.2 | **9.2** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 5.6 | **5.6** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (3.5) | **(3.5)** |
| **Swiss total eligible capital** | **10.7** | **12.2** | **6.0** | **33.6** | **62.5** |
| **Swiss leverage ratio (%)** | | | | | |
| Swiss leverage ratio | 1.08% | 1.23% | 0.61% | 3.38% | **6.29%** |

Rounding differences may occur.

## BANK REGULATORY DISCLOSURES

The following capital, RWA and leverage disclosures apply to the Bank. The business of the Bank is substantially the same as that of the Group, including business drivers and trends relating to capital, RWA and leverage metrics.

### Regulatory capital and ratios – Bank

▸ Refer to "BIS capital metrics", "Risk-weighted assets" and "Leverage metrics" for further information.

## BIS capital metrics – Bank

| | | | Phase-in |
|---|---|---|---|
| end of | 2015 | 2014 | % change |
| **Capital and risk-weighted assets (CHF million)** | | | |
| CET1 capital | 40,013 | 40,853 | (2) |
| Tier 1 capital | 50,570 | 47,114 | 7 |
| Total eligible capital | 60,242 | 58,111 | 4 |
| Risk-weighted assets | 286,947 | 282,994 | 1 |
| **Capital ratios (%)** | | | |
| CET1 ratio | 13.9 | 14.4 | – |
| Tier 1 ratio | 17.6 | 16.6 | – |
| Total capital ratio | 21.0 | 20.5 | – |

## Eligible capital and risk-weighted assets – Bank

| | | | Phase-in |
|---|---|---|---|
| end of | **2015** | 2014 | % change |
| **Eligible capital (CHF million)** | | | |
| **Total shareholder's equity** | **43,406** | **42,895** | 1 |
| Regulatory adjustments [1] | (5) | (66) | (92) |
| Adjustments subject to phase-in | (3,388) [2] | (1,976) | 71 |
| **CET1 capital** | **40,013** | **40,853** | (2) |
| Additional tier 1 instruments | 10,805 [3] | 10,410 | 4 |
| Additional tier 1 instruments subject to phase-out [4] | 2,616 | 2,473 | 6 |
| Deductions from additional tier 1 capital | (2,864) [5] | (6,622) | (57) |
| **Additional tier 1 capital** | **10,557** | **6,261** | 69 |
| **Tier 1 capital** | **50,570** | **47,114** | 7 |
| Tier 2 instruments | 6,865 [6] | 7,014 | (2) |
| Tier 2 instruments subject to phase-out | 2,970 | 4,196 | (29) |
| Deductions from tier 2 capital | (163) | (213) | (23) |
| **Tier 2 capital** | **9,672** | **10,997** | (12) |
| **Total eligible capital** | **60,242** | **58,111** | 4 |
| **Risk-weighted assets by risk type (CHF million)** | | | |
| Credit risk | 185,574 | 184,531 | 1 |
| Market risk | 29,755 | 34,439 | (14) |
| Operational risk | 66,438 | 58,413 | 14 |
| Non-counterparty risk | 5,180 | 5,611 | (8) |
| **Risk-weighted assets** | **286,947** | **282,994** | 1 |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Primarily reflects 40% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets.
[3] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 6.6 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.2 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
[4] Includes hybrid capital instruments that are subject to phase-out.
[5] Includes 60% of goodwill and other intangible assets (CHF 2.4 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
[6] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.1 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

The Bank's CET1 ratio was 13.9% as of the end of 2015 compared to 14.4% as of the end of 2014, reflecting lower CET1 capital and slightly higher RWA. The Bank's tier 1 ratio was 17.6% as of the end of 2015 compared to 16.6% as of the end of 2014. The Bank's total capital ratio was 21.0% as of the end of 2015 compared to 20.5% as of the end of 2014.

CET1 capital was CHF 40.0 billion as of the end of 2015 compared to CHF 40.9 billion as of the end of 2014, mainly reflecting a net loss attributable to shareholders, adjusted for the regulatory reversal of the goodwill impairment, an additional annual 20% phase-in of regulatory deductions from CET1 (from 20% to 40%), including goodwill, other intangible assets and certain deferred tax assets, a negative foreign exchange impact and the net effect of share-based compensation. These decreases were partially offset by the capital contribution from the Group following its capital increase.

Additional tier 1 capital was CHF 10.6 billion as of the end of 2015 compared to CHF 6.3 billion as of the end of 2014, mainly due to the regulatory adjustment for the goodwill impairment, an additional annual 20% phase-in of regulatory deductions (from 80% to 60%), including goodwill, other intangible assets and other capital deductions, and the impact of an accrual relating to CCA granted as part of deferred compensation.

Tier 2 capital was CHF 9.7 billion as of the end of 2015 compared to CHF 11.0 billion as of the end of 2014, mainly due to the impact of the prescribed amortization requirement as instruments move closer to their maturity date, the redemptions and the negative foreign exchange impact.

The Bank's total eligible capital was CHF 60.2 billion as of the end of 2015 compared to CHF 58.1 billion as of the end of 2014.

RWA increased CHF 4.0 billion to CHF 286.9 billion as of the end of 2015 compared to CHF 283.0 billion as of the end of 2014.

## Leverage exposure components – Bank

| | | | Phase-in |
|---|---|---|---|
| end of | **2015** | 2014 | % change |
| **Leverage exposure (CHF million)** | | | |
| **Balance sheet assets** | **803,931** | **904,849** | (11) |
| **Adjustments** | | | |
| Difference in scope of consolidation and tier 1 capital deductions [1] | (13,059) | (21,049) | (38) |
| Derivative financial instruments | 104,604 | 171,711 | (39) |
| Securities financing transactions | (16,215) | (13,955) | 16 |
| Off-balance sheet | 94,312 | 97,142 | (3) |
| **Total adjustments** | **169,642** | **233,849** | (27) |
| **Leverage exposure** | **973,573** | **1,138,698** | (15) |

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

## BIS leverage metrics – Bank

| | | | Phase-in |
|---|---|---|---|
| end of | **2015** | 2014 | % change |
| **Capital (CHF million)** | | | |
| CET1 capital | 40,013 | 40,853 | (2) |
| Tier 1 capital | 50,570 | 47,114 | 7 |
| **Leverage exposure (CHF million)** | | | |
| Leverage exposure | 973,573 | 1,138,698 | (15) |
| **Leverage ratios (%)** | | | |
| CET1 leverage ratio | 4.1 | 3.6 | – |
| Tier 1 leverage ratio | 5.2 | 4.1 | – |

### Swiss capital and leverage metrics – Bank

▸ Refer to “Swiss capital metrics” and “Swiss leverage metrics” for further information.

## Swiss capital and leverage metrics – Bank

| | | | Phase-in |
|---|---|---|---|
| end of | **2015** | 2014 | % change |
| **Capital development (CHF million)** | | | |
| CET1 capital | 40,013 | 40,853 | (2) |
| Swiss regulatory adjustments [1] | (117) | (111) | 5 |
| **Swiss CET1 capital** | **39,896** | **40,742** | (2) |
| High-trigger capital instruments | 9,350 [2] | 8,944 | 5 |
| Low-trigger capital instruments | 8,320 [3] | 8,480 | (2) |
| Additional tier 1 and tier 2 instruments subject to phase-out | 5,586 | 6,669 | (16) |
| Deductions from additional tier 1 and tier 2 capital | (3,027) | (6,835) | (56) |
| **Swiss total eligible capital** | **60,125** | **58,000** | 4 |
| **Risk-weighted assets (CHF million)** | | | |
| Risk-weighted assets – Basel III | 286,947 | 282,994 | 1 |
| Swiss regulatory adjustments [4] | 909 | 1,048 | (13) |
| **Swiss risk-weighted assets** | **287,856** | **284,042** | 1 |
| **Leverage exposure (CHF million)** | | | |
| **Leverage exposure** | **973,573** | **1,138,698** | |
| **Swiss capital and leverage ratios (%)** | | | |
| Swiss CET1 ratio | 13.9 | 14.3 | – |
| Swiss total capital ratio | 20.9 | 20.4 | |
| Swiss leverage ratio | 6.2 | 5.1 | – |

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Consists of CHF 6.6 billion additional tier 1 instruments and CHF 2.7 billion tier 2 instruments.
[3] Consists of CHF 4.2 billion additional tier 1 instruments and CHF 4.1 billion tier 2 instruments.
[4] Primarily includes differences in the credit risk multiplier.

## Swiss capital requirements and coverage – Bank

| | | | | | Bank |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | **2015** |
| **Risk-weighted assets (CHF billion)** | | | | | |
| Swiss risk-weighted assets | – | – | – | – | **287.9** |
| **2015 Swiss capital requirements [1]** | | | | | |
| Minimum Swiss capital ratio | 4.50% | 5.12% [2] | 2.54% | – | **12.16%** |
| Minimum Swiss capital (CHF billion) | 13.0 | 14.8 | 7.3 | – | **35.0** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 13.0 | 8.3 | – | 18.7 | **39.9** |
| High-trigger capital instruments | – | 6.5 | – | 2.9 | **9.4** |
| Low-trigger capital instruments | – | – | 7.3 | 1.0 | **8.3** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 5.6 | **5.6** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (3.0) | **(3.0)** |
| **Swiss total eligible capital** | **13.0** | **14.8** | **7.3** | **25.1** | **60.1** |
| **Swiss capital ratio (%)** | | | | | |
| Swiss total capital ratio | 4.50% | 5.12% | 2.54% | 8.73% | **20.89%** |

Rounding differences may occur.
[1] The Swiss capital requirements are based on a percentage of RWA.
[2] Excludes countercyclical buffer that was required as of September 30, 2013. As of the end of 2015, the countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 286 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

## Swiss leverage requirements and coverage – Bank

| | | | | | Bank |
|---|---|---|---|---|---|
| | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2015 |
| **Exposure (CHF billion)** | | | | | |
| Leverage exposure | – | – | – | – | **973.6** |
| **2015 Swiss leverage requirements** | | | | | |
| Minimum Swiss leverage ratio | 1.08% | 1.23% | 0.61% | – | **2.92%** |
| Minimum Swiss capital (CHF billion) | 10.5 | 12.0 | 5.9 | – | **28.4** |
| **Swiss capital coverage (CHF billion)** | | | | | |
| Swiss CET1 capital | 10.5 | 6.7 | – | 22.7 | **39.9** |
| High-trigger capital instruments | – | 5.3 | – | 4.1 | **9.4** |
| Low-trigger capital instruments | – | – | 5.9 | 2.4 | **8.3** |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 5.6 | **5.6** |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (3.0) | **(3.0)** |
| **Swiss total eligible capital** | **10.5** | **12.0** | **5.9** | **31.7** | **60.1** |
| **Swiss leverage ratio (%)** | | | | | |
| Swiss leverage ratio | 1.08% | 1.23% | 0.61% | 3.26% | **6.18%** |

Rounding differences may occur.

## OTHER REGULATORY DISCLOSURES

In connection with the implementation of Basel III, certain regulatory disclosures for the Group, the Bank, the Bank parent company and Credit Suisse International are required. Additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base of the Group, G-SIB financial indicators, subsidiary regulatory reporting, reconciliation requirements, Pillar 3 disclosures, leverage ratios and certain liquidity disclosures can be found on our website.

▸ Refer to www.credit-suisse.com/regulatorydisclosures for additional information.

## SHAREHOLDERS' EQUITY AND SHARE METRICS

### Total shareholders' equity

#### Group

Our total shareholders' equity was CHF 44.4 billion as of the end of 2015 compared to CHF 44.0 billion as of the end of 2014. Total shareholders' equity was positively impacted by the CHF 6.0 billion increase in capital from the issuance of common shares and an increase in the share-based compensation obligation. These increases were mostly offset by a net loss attributable to shareholders, transactions relating to the settlement of share-based compensation awards, foreign exchange-related movements on cumulative translation adjustments, an actuarial loss from the remeasurement of the Group's defined benefit pension assets and liabilities as of the end of 2015 and dividends paid.

▸ Refer to the "Consolidated statements of changes in equity" in V – Consolidated financial statements – Credit Suisse Group for further information on the Group's total shareholders' equity.

#### Bank

The Bank's total shareholder's equity was CHF 43.4 billion as of the end of 2015 compared to CHF 42.9 billion as of the end of 2014. Total shareholder's equity was positively impacted by a capital contribution from the Group. This increase was partially offset by a net loss attributable to shareholder, transactions relating to the settlement of share-based compensation awards and foreign exchange-related movements on cumulative translation adjustments.

▸ Refer to the "Consolidated statements of changes in equity" in VII – Consolidated financial statements – Credit Suisse (Bank) for further information on the Bank's total shareholder's equity.

## Shareholders' equity and share metrics

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| end of | **2015** | 2014 | % change | **2015** | 2014 | % change |
| **Shareholders' equity (CHF million)** | | | | | | |
| Common shares | 78 | 64 | 22 | 4,400 | 4,400 | 0 |
| Additional paid-in capital | 31,925 | 27,007 | 18 | 39,883 | 34,842 | 14 |
| Retained earnings | 29,139 | 32,083 | (9) | 12,427 | 15,877 | (22) |
| Treasury shares, at cost | (125) | (192) | (35) | – | – | – |
| Accumulated other comprehensive income/(loss) | (16,635) | (15,003) | 11 | (13,304) | (12,224) | 9 |
| **Total shareholders' equity** | **44,382** | **43,959** | 1 | **43,406** | **42,895** | 1 |
| Goodwill | (4,808) | (8,644) | (44) | (3,929) | (7,766) | (49) |
| Other intangible assets | (196) | (249) | (21) | (196) | (249) | (21) |
| **Tangible shareholders' equity** [1] | **39,378** | **35,066** | 12 | **39,281** | **34,880** | 13 |
| **Shares outstanding (million)** | | | | | | |
| Common shares issued | 1,957.4 | 1,607.2 | 22 | 4,399.7 | 4,399.7 | 0 |
| Treasury shares | (5.9) | (7.7) | (23) | – | – | – |
| **Shares outstanding** | **1,951.5** | **1,599.5** | 22 | **4,399.7** | **4,399.7** | 0 |
| **Par value (CHF)** | | | | | | |
| **Par value** | **0.04** | **0.04** | 0 | **1.00** | **1.00** | 0 |
| **Book value per share (CHF)** | | | | | | |
| **Total book value per share** | **22.74** | **27.48** | (17) | **9.87** | **9.75** | 1 |
| Goodwill per share | (2.46) | (5.40) | (54) | (0.90) | (1.76) | (49) |
| Other intangible assets per share | (0.10) | (0.16) | (38) | (0.04) | (0.06) | (33) |
| **Tangible book value per share** [1] | **20.18** | **21.92** | (8) | **8.93** | **7.93** | 13 |

[1] Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

### Share repurchases

The Swiss Code of Obligations limits a corporation's ability to hold or repurchase its own shares. We may only repurchase shares if we have sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the repurchased shares does not exceed 10% of our nominal share capital. Furthermore, we must create a special reserve in our parent company financial statements in the amount of the purchase price of the acquired shares. In our consolidated financial statements, own shares are recorded at cost and reported as treasury shares, resulting in a reduction in total shareholders' equity. Shares repurchased by us do not carry any voting rights at shareholders' meetings.

We purchased 808.7 million treasury shares and sold or reissued 766.1 million treasury shares in 2015, predominantly for market-making purposes and facilitating customer orders. As of December 31, 2015, the Group held 5.9 million treasury shares.

▸ Refer to "Impact of share-based compensation on shareholders' equity" in IV – Corporate Governance and Compensation – Compensation – Group compensation for further information.

## Purchases and sales of treasury shares

| In million, except where indicated | Number of shares | Average price per share in CHF |
|---|---|---|
| **2015** | | |
| January | 35.0 | 20.97 |
| February | 52.3 | 22.57 |
| March | 30.0 | 25.05 |
| April | 89.7 | 25.66 |
| May | 56.8 | 24.63 |
| June | 78.3 | 25.77 |
| July | 57.5 | 27.41 |
| August | 59.0 | 27.10 |
| September | 65.1 | 25.02 |
| October | 89.9 | 23.99 |
| November | 121.0 | 23.22 |
| December | 74.1 | 21.65 |
| **Total purchase of treasury shares** | **808.7** | **–** |
| **Total sale of treasury shares** | **766.1** | **–** |

### Dividends and dividend policy

Under the Swiss Code of Obligations, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. Our reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after shareholder approval at the Annual General Meeting (AGM). The Board of Directors may propose that a dividend be paid out, but cannot itself set the dividend. In Switzerland, the auditors have to confirm whether the appropriation of retained earnings is in accordance with Swiss law and articles of incorporation. In practice, the shareholders usually approve the dividend proposal of the Board of Directors. Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under the Swiss Code of Obligations, the statute of limitations in respect of claiming the payment of dividends that have been declared is five years.

Our dividend payment policy seeks to provide investors with a stable and efficient form of capital distribution relative to earnings. The dividend payment made in 2015 for the financial year 2014 was comprised of a distribution of CHF 0.70 per share payable out of capital contribution reserves in cash or, upon shareholder election and subject to legal restrictions applicable in shareholders' home jurisdictions, a scrip dividend or a combination thereof. The distribution was free of Swiss withholding tax and was not subject to income tax for Swiss resident individuals holding the shares as a private investment. Our Board of Directors will propose to the shareholders at the AGM on April 29, 2016 a distribution of CHF 0.70 per share out of capital contribution reserves for the financial year 2015. The distribution will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment. The distribution will be payable in cash or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new Group shares at the option of the shareholder. The Board proposes to increase the authorized capital to a maximum of CHF 9.2 million (equivalent to 230,000,000 registered shares), of which CHF 5.2 million (equivalent to 130,000,000 registered shares) are exclusively reserved for servicing a stock dividend or a scrip dividend. In case the AGM does not support the increase of authorized capital for stock or scrip dividend, no dividend distribution will take place. The ex-dividend date has been set to May 19, 2016.

Reflecting our holding company structure, the Group is not an operating company and holds investments in subsidiaries. It is therefore reliant on the dividends of its subsidiaries to pay shareholder dividends and service its long-term debt. The subsidiaries of the Group are generally subject to legal restrictions on the amount of dividends they can pay. The amount of dividends paid by operating subsidiaries is determined after consideration of the expectations for future results and growth of the operating businesses.

▸ Refer to "Proposed distribution out of capital contribution reserves" in VI – Parent company financial statements – Credit Suisse Group – Proposed appropriation of retained earnings and capital distribution for further information on dividends.

## Dividend per ordinary share

| | USD [1] | CHF |
|---|---|---|
| **Dividend per ordinary share for the financial year** | | |
| 2014 | 0.75 | 0.70 |
| 2013 | 0.79 | 0.70 |
| 2012 [2] | 0.80 | 0.75 |
| 2011 | 0.78 | 0.75 |
| 2010 | 1.48 | 1.30 |

[1] Represents the distribution on each American Depositary Share. For further information, refer to www.credit-suisse.com/dividend.

[2] Distribution consisted of CHF 0.10 (USD 0.11) per share in cash and a stock dividend with a theoretical value of approximately CHF 0.65 (USD 0.69) per subscription right as approved at the AGM on April 26, 2013 for the financial year 2012.

### Foreign exchange exposure and interest rate management

Foreign exchange risk associated with investments in branches, subsidiaries and affiliates is managed within defined parameters that create a balance between the interests of stability of capital adequacy ratios and the preservation of Swiss franc shareholders' equity. The decisions regarding these parameters are made by CARMC and are regularly reviewed. Foreign exchange risk associated with the nonfunctional currency net assets of branches and subsidiaries is managed through a combination of forward-looking and concurrent backward-looking hedging activity, which is aimed at reducing the foreign exchange rate induced volatility of reported earnings.

Interest rate risk inherent in banking book activities, such as lending and deposit taking, is managed through the use of replication portfolios. Treasury develops and maintains the models needed to determine the interest rate risks of products that do not have a defined maturity, such as demand and savings accounts. For this purpose, a replicating methodology is applied in close coordination with Risk Management to maximize the stability and sustainability of spread revenues at the divisions. Further, Treasury manages the interest exposure of the Bank's equity to targets agreed with senior management.

# Risk management

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and continued to be a key focus area in 2015. During the year, we took additional steps to adapt our business and risk management practices to reflect changes in our operating environment. In addition, our risk organization has been further restructured to support our strategic direction and enhance the interconnection of legal entity oversight responsibilities and global risk functions. We continue to adapt our risk management frameworks to the new Group strategy and structure announced on October 21, 2015.

## KEY RISK DEVELOPMENTS

2015 was a year marked by continued concerns over slowing global economic growth. While some economies strengthened, others, particularly emerging economies, were pressured by falling commodity prices, depreciating currencies and rising geopolitical tensions.

*China slowdown*

During 2015, the slowdown in economic growth in China intensified, although it stabilized towards the end of the year supported by monetary and fiscal stimulus measures. A sharp decline in the Chinese stock market coupled with volatility in international equity markets had an impact on foreign exchange and commodity markets. The effects of the slowdown in China spread rapidly to other emerging market economies, with currency depreciation and high inflation in certain countries dampening growth. We closely monitor conditions in China for impacts on our exposures, with particular emphasis on evaluating the effects of an ongoing slowdown in the Chinese economy on global markets.

*Falling commodity prices*

Global commodity markets declined throughout 2015, led by declining demand from China. The slowing Chinese economy led to reduced imports of key industrial commodities such as iron ore and copper, resulting in lower prices for these commodities globally. Energy prices were weakened by an increase in crude oil supply, accompanied by record high oil storage volumes. Slowing Chinese and emerging market growth also led to decreased demand for oil and gas, with accelerating energy price declines during the fourth quarter of 2015. We continue to closely monitor our commodity exposures, with particular emphasis on lending exposures to oil and gas exploration and production companies. The majority of our loans to these companies are collateralized by oil and gas reserves.

*Emerging markets*

Emerging market economies worldwide declined during 2015, as depreciating currencies and rapidly declining energy prices drove large-scale oil producers into recession. Russia's economy contracted markedly, driven by a combination of oil price declines and tight monetary policy. Brazil suffered from rising unemployment and a surge in inflation, with the government response constrained by escalating social unrest. We closely monitor and manage our exposure to emerging markets and remain vigilant in assessing the impact of geopolitical risks on our businesses.

*High yield credit (leveraged finance)*

High yield credit markets weakened during 2015, against a backdrop of slowing economic growth and volatile equity markets. Credit spreads widened sharply during the second half of the year, with plunging oil prices leading to deteriorating credit profiles for energy firms. With declining investor demand for high yield products, market liquidity for high yield bonds and loans decreased. We continue to closely monitor our leveraged finance exposures amid challenging market conditions.

*Cyber-attacks*

Cyber threats are continuously evolving, becoming more sophisticated, targeted and sustained. In anticipation of heightened regulatory expectations and scrutiny, we strengthened our governance in 2015 to ensure that top operational and IT risks are timely identified and addressed in alignment with our risk appetite. We regularly assess the effectiveness of our key controls and conduct training and awareness activities to mitigate risk. Incidents with a significant financial or reputational impact or control failure are reported to the Board and examined in depth to identify root causes and propose remediation.

*Swiss macroeconomic trends*

Swiss corporate defaults merited additional scrutiny in 2015 due to the impact of the SNB's decision to discontinue the minimum exchange rate of CHF 1.20 per euro and lower the interest rate by 50 basis points to (0.75)% on sight deposits that exceed a certain threshold. The Swiss economy slowed considerably during 2015, as the strengthening of the Swiss franc led to a reduction in Swiss exports, decreased domestic consumer spending and retail sales, and an increase in unemployment. The leisure and hospitality sector suffered a moderate downturn. The quality of our credit portfolio remains high, with any impact from the economic distress mitigated by a large percentage of collateralized loans. We closely monitor our Swiss loan book in sectors with the highest expected impact, such as the retail and export industries, in light of continuing high market volatility and the negative interest rate environment.

## RISK MANAGEMENT OVERSIGHT

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities. Our risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of our business planning process with strong involvement of senior management and the Board of Directors (Board).

To meet the challenges of a volatile market environment and changing regulatory frameworks, we work to continuously strengthen risk management throughout the Group. We have comprehensive risk management processes and sophisticated control systems. We work to limit the impact of negative developments that may arise by carefully managing risk concentrations.

### Risk governance

Effective risk management begins with effective risk governance. Our risk governance framework is based on a "three lines of defense" governance model, where each line has a specific role and defined responsibilities and works in close collaboration to identify, assess and mitigate risks.

The first line of defense is the front office, which is responsible for pursuing suitable business opportunities within the strategic risk objectives and compliance requirements of the Group, including primary responsibility for compliance with relevant legal and regulatory requirements and internal controls.

The second line of defense includes functions such as risk management, legal, compliance and product control. It articulates standards and expectations for the management of risk and effectiveness of controls, including advising on applicable legal and regulatory requirements and publishing related policies, and monitors compliance with the same. The second line of defense is separate from the front office and acts as an independent control function, responsible for reviewing and challenging front office activities and producing independent management information and risk management reporting for senior management and regulatory authorities.

The third line of defense is the internal audit function, which monitors the effectiveness of controls across various functions and operations, including risk management and governance practices.

Our operations are regulated by authorities in each of the jurisdictions in which we conduct business. Central banks and other bank regulators, financial services agencies, securities agencies and exchanges and self-regulatory organizations are among the regulatory authorities that oversee our businesses. The Swiss Financial Market Supervisory Authority FINMA (FINMA) is our primary regulator providing global supervision.

▸ Refer to "Regulation and supervision" in I – Information on the company for further information.

### Key management bodies and committees covering risk management matters




[1] Divisional risks may be covered by the respective legal entity risk management committees.

Our governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board, the Executive Board, their respective committees and the Group Chief Risk Officer (CRO) in accordance with their respective authority.

▸ Refer to "Board of Directors" and "Board Committees" in IV – Corporate Governance and Compensation – Corporate Governance for further information.

### Board of Directors

The Board is responsible for our strategic direction, supervision and control, and for defining our overall tolerance for risk in the form of a risk appetite statement and overall risk limits. Overall risk limits are set by the Board in consultation with its Risk Committee.

The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of our risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits.

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. Additionally, the Audit Committee is responsible for monitoring the independence and performance of internal and external auditors.

### Executive Board

The Executive Board is responsible for developing and implementing our strategic business plans, subject to approval by the Board. It further reviews and coordinates significant initiatives for the risk management function and establishes Group-wide risk policies. The Group CRO is a member of the Executive Board and represents the risk management function.

### Executive Board committees

The Capital Allocation & Risk Management Committee (CARMC) is responsible for supervising and directing our risk profile, recommending risk limits at the Group level to the Risk Committee and the Board, establishing and allocating risk limits among the various businesses, and for developing measures, methodologies and tools to monitor and manage the risk portfolio. CARMC operates in three cycles with monthly meetings on a rotating basis. The asset & liability management cycle reviews the funding and balance sheet trends and activities, plans and monitors regulatory and business liquidity requirements and internal and regulatory capital adequacy. The market & credit risks cycle reviews risk exposures and concentrations, defines and implements risk management strategies for the Group businesses and sets and approves risk limits within approved Board limits and other appropriate measures to monitor and manage the risk portfolio within the various Group businesses. In the market & credit risk cycle, the credit portfolio & provisions review committee, a sub-committee of CARMC, reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The internal control systems cycle monitors and analyzes significant legal and compliance risks, reviews and approves the business continuity program's alignment with the corporate strategy on an annual basis, sets limits, caps and triggers on specific businesses to control significant operational risk exposure, and reviews and assesses the appropriateness and efficiency of the internal control systems, particularly with regards to valuation risks and the new business approval process.

The Valuation Risk Management Committee (VARMC) is responsible for establishing policies regarding the valuation of certain material assets and the policies and calculation methodologies applied in the valuation process.

The Risk Processes & Standards Committee (RPSC) reviews major risk management processes, issues general instructions, standards and processes concerning risk management, approves material changes in market, credit and operational risk management standards, policies and related methodologies, and approves the standards of our internal models used for calculating regulatory capital requirements.

The Reputational Risk & Sustainability Committee (RRSC) sets policies and reviews processes and significant cases relating to reputational risks and sustainability issues. It also ensures compliance with our reputational and sustainability policies and oversees their implementation.

### Divisional and legal entity risk management committees

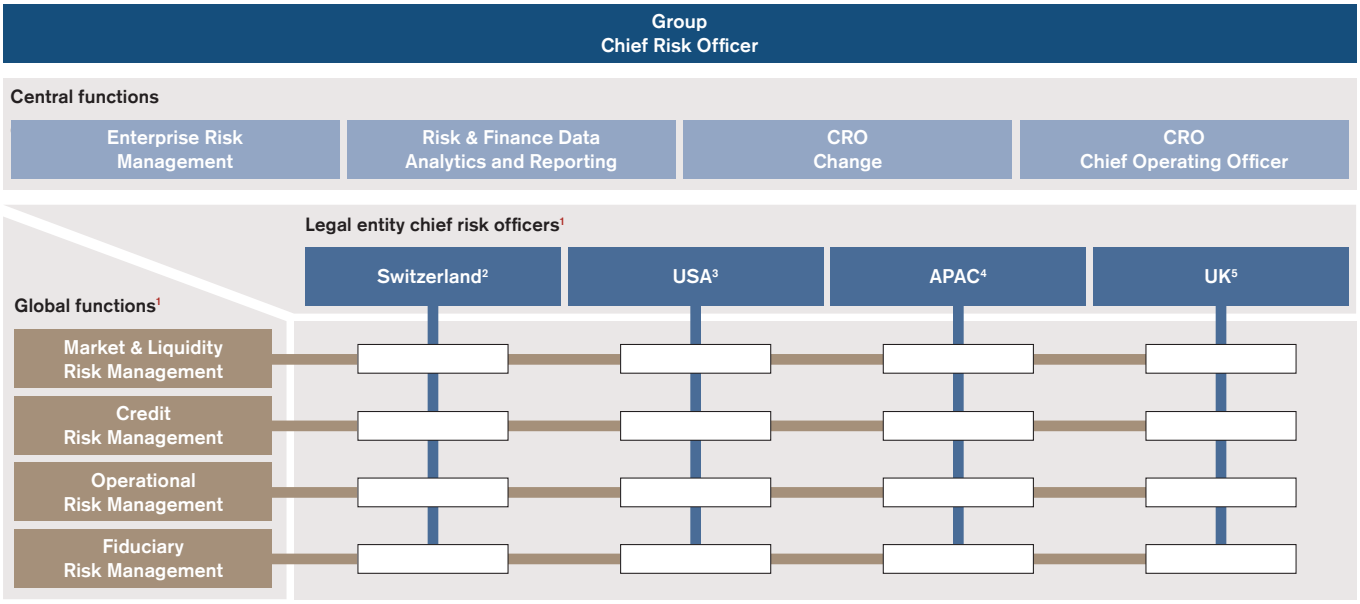
Divisional and legal entity risk management committees review risk, legal, compliance and internal control matters specific to the divisions and individual legal entities, respectively.

## Risk organization

The risk management function is responsible for providing risk management oversight and establishing an organizational basis to manage risk matters.

Our risk organization has been further restructured to support our new strategic direction and enhance the interconnection of legal entity risk oversight responsibilities and global risk functions. We will continue to review our risk management priorities so that they remain aligned to the Group's new business priorities.

## Risk organization




[1] The role of a divisional chief risk officer is covered either by a legal entity chief risk officer or the head of a global function.
[2] Represents chief risk officer of Credit Suisse (Schweiz) AG.
[3] Represents chief risk officer of Credit Suisse Holdings (USA) Inc. and other US entities.
[4] Represents chief risk officer of Credit Suisse Singapore Branch.
[5] Represents chief risk officer of Credit Suisse International and Credit Suisse Securities (Europe) Limited.

We have strengthened the legal entity chief risk officers organization taking into account local regulatory requirements and ascertaining that our legal entity oversight approach is accepted by key regulators. In addition, while maintaining the matrix structure from a people and business management perspective, the restructuring is expected to improve the Group's cost transparency along our legal entities and divisions. The global risk functions continue to drive our risk appetite, ensure globally harmonized models and methodologies, execute global regulatory deliverables, provide global limit frameworks and ensure risk conflict remediation.

The key elements of the risk organization include:

*Matrix structure*
Our matrix structure reflects the Group's business strategy and emphasizes the Group's legal entity considerations.

The global functions comprise market & liquidity, credit, operational and fiduciary risk management, and they are accountable for functional risk oversight and the limit framework at global and local legal entity level. They are also responsible for functional models, methodologies and policies and function-related regulatory change.

The legal entity chief risk officers provide risk oversight for certain significant legal entities in the locations of our main operations. They define the local risk management and risk appetite frameworks and are responsible for meeting the legal-entity-specific regulatory requirements.

The divisional chief risk officer roles for Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and the Strategic Resolutions Unit are intended to ensure alignment of the risk management function within our divisions and are undertaken by legal entity chief risk officers and heads of global functions.

The global functions and the legal entity chief risk officers jointly manage the functional teams.

*Enterprise Risk Management*
The Enterprise Risk Management central function, with its head directly reporting to the Group CRO, strengthens holistic risk coverage. By consolidating our cross-functional and cross-business risk initiatives in Enterprise Risk Management, we enhance effectiveness and harmonize our overarching risk framework and concepts. The Enterprise Risk Management mandate is focused on the overarching risk framework including risk appetite and stress testing, Group risk reporting, model risk management, risk-related regulatory management and coordination of our reputational risk-related activities.

*Other central functions*
Risk & Finance Data Analytics and Reporting provides consistent reporting production, analytics and data management shared with finance functions. CRO Change is responsible for the portfolio of strategic change programs across the risk management function. The CRO's chief operating officer facilitates business management within the risk management function.

**Risk culture**
We base our business operations on conscious and disciplined risk-taking. We believe that independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of our stakeholders. Our risk culture is supported by the following principles:
- Our risk management policies set out authorities and responsibilities for taking and managing risks;
- We establish a clear risk appetite that sets out the types and levels of risk we are prepared to take;
- We actively monitor risks and take mitigating actions where they fall outside accepted levels;
- Breaches of risk limits are identified, analyzed and escalated, and large, repeated or unauthorized exceptions may lead to terminations, adverse adjustments to compensation or other disciplinary action; and
- We seek to establish resilient risk controls that promote multiple perspectives on risk and reduce the reliance on single risk measures.

We actively promote a strong risk culture where employees are encouraged to take accountability for identifying and escalating risks and for challenging inappropriate actions. The businesses are held accountable for managing all of the risks they generate, including those relating to employee behavior and conduct, in line with our risk appetite. Expectations on risk culture are regularly communicated by senior management, reinforced through policies and training, and considered in the performance assessment and compensation processes and, with respect to employee conduct, assessed by formal disciplinary review committees. We have established across the Group a set of business conduct behaviors that support our desired risk culture. They are designed to encourage employees to act in ways that reduce the frequency and impact of operational risk incidents, address the root causes of past operational risk incidents in the financial services sector and other relevant industries, and touch on our ability to learn from past events. Recent initiatives in this area have provided employees with practical guidance on careful and considered behavior as well as acting ethically and learning from mistakes.

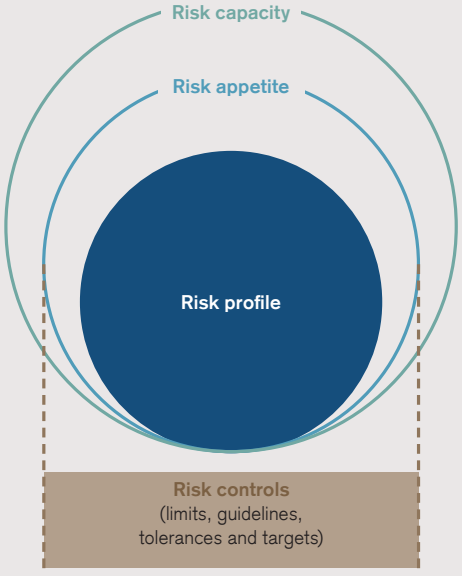
▸ Refer to "Conduct risk" in Risk coverage and management for further information.

## RISK APPETITE FRAMEWORK

**Overview**
We maintain a comprehensive Group-wide risk appetite framework, which is governed by a global policy and provides a robust foundation for risk appetite setting and management across the Group. A key element of the framework is a detailed statement of the Board-approved risk appetite which is aligned to our financial and capital plans. The framework also encompasses the processes and systems for assessing the appropriate level of risk appetite required to constrain our overall risk profile.

Risk capacity is the maximum level of risk that we can assume given our current level of resources before breaching any constraints determined by capital and liquidity needs, the operational environment and our responsibilities to depositors, policyholders, shareholders, investors and other stakeholders. Risk appetite expresses the aggregate level and types of risk we are willing to assume within our risk capacity to achieve our strategic objectives and business plan. Risk profile is a point-in-time assessment of our net risk exposures aggregated within and across each relevant risk category and is expressed in a variety of different quantitative risk metrics and qualitative risk observations. The size of our risk profile is restricted to the planned level of our risk appetite through the use of risk controls, such as limits, guidelines, tolerances and targets.

## Risk appetite framework – key definitions




**Risk capacity** Maximum level of risk that we can assume given our current level of resources before breaching any constraints determined by capital and liquidity needs, the operational environment and our responsibilities to depositors, policyholders, shareholders, investors and other stakeholders.

**Risk appetite** Aggregate level and types of risk we are willing to assume within our risk capacity to achieve our strategic objectives and business plan.

**Risk profile** Point-in-time assessment of our net risk exposures aggregated within and across each relevant risk category and expressed in a variety of different quantitative risk metrics and qualitative risk observations.

**Risk controls** Quantitative and qualitative measures based on forward-looking assumptions that allocate our aggregate risk appetite to businesses, legal entities, risk categories, concentrations and, as appropriate, other levels.

### Risk appetite framework

The Group risk appetite framework is governed by an overarching global policy that encompasses the suite of specific policies, processes and systems with which the risk controls are calibrated and the risk profile is managed. The framework was updated in 2015 and is guided by the following strategic risk objectives:

- maintaining Group-wide capital adequacy above minimum regulatory requirements under both normal and stressed conditions;
- promoting stability of earnings to support performance in line with financial objectives;
- ensuring sound management of liquidity and funding risk in normal and stressed conditions;
- proactively controlling concentration risks;
- managing operational risk to ensure sustainable performance;
- minimizing reputational risk; and
- managing and controlling business conduct risk.

Group-wide risk appetite is determined in partnership with the financial and capital planning process on an annual basis, based on bottom-up forecasts that reflect planned risk usage by the businesses and top-down, Board-driven strategic risk objectives and risk appetite. Scenario stress testing of financial and capital plans is an essential element in the risk appetite calibration process as a key means through which our strategic risk objectives, financial resources and business plans are aligned. The capital plans are also analyzed using our economic capital coverage ratio, which provides a further means of assessing bottom-up risk plans with respect to available capital resources. The risk appetite is approved through a number of internal governance forums, including joint approval by both the Group CRO and the CFO, CARMC, the Risk Committee and subsequently by the Board.

The risk appetite statement is the formal plan, approved by the Board, for our Group-wide risk appetite. Key divisional allocations are cascaded from the Group and approved in divisional risk management committees. Legal entity risk appetites are allocated from the Group and are approved by the local legal entity board of directors.

The top-down and bottom-up risk appetite calibration process includes the following key steps:

*Top-down:*

- Group-level strategic risk objectives are agreed by the Board in line with our financial and capital objectives.
- Top-down risk capacities and risk appetites are determined with reference to available resources and key thresholds, such as minimum regulatory requirements.

- A risk appetite statement is determined and approved annually by the Board, and is based on the strategic risk objectives, the comprehensive scenario stress testing of our forecasted financial results and capital requirements, and our economic capital framework. A semi-annual review of the risk appetite and capacity levels is performed. The risk appetite statement comprises quantitative and qualitative risk measures necessary for adequate control of the risk appetite across the organization. The review of the top-down and bottom-up risk appetite levels and their allocation between divisions and legal entities is performed in the risk appetite review committee, a sub-committee of the CARMC market & credit risks cycle.
- Separate legal entity risk appetite frameworks aligned to local regulatory requirements are in place for material subsidiaries. An integrated year-end planning process ensures that individual legal entity risk appetites are consistent with Group levels.
- Divisional risk committees are responsible for allocating risk appetite within their area based on individual business line reviews and requirements.

*Bottom-up:*

- Planned risk levels and their risk appetite requirements are provided by the front office business experts in conjunction with financial and capital plans in order to ensure they are consistent with the business strategy. Risk plans are reviewed by the relevant risk management committees.
- Bottom-up risk forecasts are aggregated across businesses to assess divisional and Group-wide risk plans and to support management decisions on variations to existing risk appetite levels or the possible need for new risk appetite measures.
- The effectiveness of risk appetite in support of business strategy execution and delivery against financial objectives is assessed via a risk appetite effectiveness framework. This framework assists senior management and the Board in ensuring that appropriate levels of risk appetite are set and that the subsequent risk controls are appropriately calibrated.
- Risk, financial and capital plans are jointly reviewed and approved by the Executive Board and the Board.

The following chart provides an overview of key Group-wide quantitative and qualitative aspects covered in our risk appetite statement for the Group and their connection to the division-specific risk appetite statements.

## Risk appetite framework – key aspects

| | Group-wide | Division-specific |
|---|---|---|
| **Selected quantitative aspects** | ■ Economic risk capital limits<br>■ Liquidity ratios<br>■ Leverage ratios<br>■ Scenario loss limits<br>■ Risk-weighted assets<br>■ Balance sheet size | ■ Economic risk capital limits<br>■ Market risk limits<br>■ Credit risk limits<br>■ Operational risk tolerance levels |
| **Selected qualitative aspects** | ■ Compliance with international and local laws and regulations<br>■ Reputational risk<br>■ Operational risk tolerance statements | ■ Avoidance of concentration risks<br>■ Adherence to suitability and appropriateness requirements<br>■ Compliance with industry guidelines and internal policies |

### Risk controls

A core aspect of our risk appetite framework is a sound system of integrated risk controls to maintain our risk profile within our overall risk appetite. Controls are classified according to type and authority, with the principal control types comprising limits, guidelines and tolerances. The risk controls restrict our maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses.

Limits are binding thresholds that require discussion to avoid a breach and trigger immediate remediating action if a breach occurs. Guidelines are thresholds which, if breached, require an action plan to reduce risk below the guideline or to propose, justify and agree to adjust the guideline. Tolerances are designed as management thresholds to initiate discussion, and breach of a tolerance level triggers review by the relevant control authority. Authority is determined by the approving body and controls are currently in effect from all key risk governance bodies and committees including the Board, its Risk Committee and the Executive Board through CARMC.

We have established a control structure which manages the Group's risk profile using multiple metrics, including economic risk capital, value-at-risk (VaR), scenario analysis and various exposure limits at Group level. The overall risk limits for the Group are set by the Board in consultation with its Risk Committee and are binding. In the rare circumstances where a breach of these limits would occur, it would result in an immediate notification to the Chairman of the Board's Risk Committee and the Group CEO, and written notification to the full Board at its next meeting. Following notification, the Group CRO may approve positions that exceed the Board limits up to a predefined level and any such approval is reported to the full Board. Positions that exceed the Board limits by more than the predefined level may only be approved by the Group CRO and the full Board acting jointly. In 2015 and 2014, no Board limits were exceeded.

Dedicated controls are also in place to cover the specific risk profiles of individual businesses and legal entities. In the context of the overall risk appetite of the Group, as defined by the limits set by the Board and its Risk Committee, CARMC is responsible for allocating divisional risk limits and more specific limits deemed necessary to control the concentration of risk within individual lines of business. The divisional risk management committees and the divisional and legal entity chief risk officers are responsible for allocating risk appetite further into the organization. For this purpose, they use a detailed framework of individual risk limits designed to control risk-taking at a granular level by individual businesses and in the aggregate. The risk controls are intended to:

- limit overall risk-taking to the Group's risk appetite;
- trigger senior management discussions with the businesses involved, risk management and governance committees in case of substantial change in the overall risk profile;
- ensure consistent risk measurement across businesses;
- provide a common framework for the allocation of resources to businesses; and
- provide a basis for protecting the Group's capital base and meet strategic risk objectives.

The limit framework encompasses specific limits on a large number of different products and risk type concentrations. For example, there are controls over consolidated trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed capital. Risk limits allocated to lower organizational levels within the businesses also include a system of individual counterparty credit limits. CARMC limits are binding and generally set close to the planned risk profile to ensure that any meaningful increase in risk exposures is promptly escalated. The divisional chief risk officers and certain other members of senior management have the authority to temporarily increase the divisional risk committee limits by an approved percentage for a period not to exceed 90 days. A divisional risk committee limit excess is subject to a formal escalation procedure and the incremental risk associated with the excess must be approved by the responsible senior management. The majority of these limits are monitored on a daily basis. Limits for which the inherent calculation time is longer are monitored on a weekly basis. A smaller subset of limits relating to exposures for which the risk profile changes more infrequently (for example, those relating to illiquid investments) is monitored on a monthly basis. In 2015, we strengthened the controls for market risk limit excesses by mandating that the front office remediate limit excesses within three days upon notification and by establishing an out-of-policy remediation process with senior management escalation for exceptions where limit excesses cannot be remediated within this time frame. Over the course of 2015, all limit excesses were resolved within the approved period.

While the primary purpose is risk management, risk limits are also useful tools in the identification of trading misconduct and unauthorized trading activities. The limit owners are responsible for reviewing warning triggers for risk limits. They may set warning triggers for potential limit excesses at any level lower than the approved limits as deemed appropriate after taking into account the nature of the underlying business. Strict escalation procedures apply to any limit breaches and depending on the severity of the excess, the Group CRO or divisional chief executive officer's approval may be required. Serious excesses are highlighted in periodic Risk Committee meeting management summaries. An assessment by the disciplinary review committee and any disciplinary actions that may be taken are considered in the regular performance assessment and compensation processes.

## RISK COVERAGE AND MANAGEMENT

### Overview

We use a wide range of risk management practices to address the variety of risks that arise from our business activities. Policies, limits, guidelines, processes, standards, risk assessment and measurement methodologies, and risk monitoring and reporting are key components of our risk management practices. Our risk management practices complement each other in our analysis of potential loss, support the identification of interdependencies and interactions of risks across the organization and provide a comprehensive view of our exposures. We regularly review and update our risk management practices to ensure consistency with our business activities and relevance to our business and financial strategies. Risk management practices have evolved over time without a standardized approach within the industry, therefore comparisons across firms may not be meaningful.

The key risk types, their definitions and key risk evaluation methods are summarized in the following table.

### Key risk types overview

| Key risk types and definition | Key risk evaluation methods |
|---|---|
| **Liquidity and funding risks:** 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 |
| **Market risk:** 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 |
| **Credit risk:** The risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. | 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 |
| **Operational risk:** The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.<br>**Conduct risk:** The risk that poor conduct by the Group, its employees or representatives could result in clients not receiving fair treatment or fair outcomes from the transactions, damage to the integrity of the financial markets or the wider financial system, or ineffective competition that disadvantages clients.<br>**Technology risk:** 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.<br>**Legal, compliance and regulatory risks:** 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. | Risk and control self-assessments, risk and control indicators, internal and external incident data, economic risk capital, stress testing |
| **Reputational risk:** The risk that negative perception by our stakeholders may adversely impact client acquisition and damage our business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.<br>**Fiduciary risk:** The risk of financial loss arising when the Group or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of our client's assets including from a product-related market, credit, liquidity and operational risk perspective.<br>**Strategic risk:** The risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment. | ▪ A comprehensive assessment for these risk types is performed both periodically and event-driven.<br>▪ 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.<br>▪ The risk management actions include both precautionary activities to manage risk and issue resolution activities to recover from adverse developments. |

It is important to both evaluate each risk type separately and assess their combined impact on the Group, which helps ensure that our overall risk profile remains within the Group-wide risk appetite.

The primary evaluation methods used to assess Group-wide quantifiable risks include economic risk capital and stress testing. Economic risk capital captures market, credit, operational and certain other risks and is a key component in our risk appetite framework with limits determined to control aggregate risk. Stress testing captures market, credit and operational risks and provides an evaluation method capable of capturing both historic and forward-looking scenarios to ensure that aggregate risks are managed within the Group-wide risk appetite also under stressed conditions.

The description of our economic risk capital methodology and our stress testing framework below is followed by a more detailed description of our key risk types.

▸ Refer to "Liquidity and funding management" for further information on liquidity and funding risks-related evaluation methods used in our liquidity risk management framework and for funding management.

## Economic risk capital

### Overview

Economic risk capital is used as a consistent and comprehensive tool for capital management, limit monitoring and performance management. Economic risk capital is our core Group-wide risk management tool for measuring and reporting the combined impact from quantifiable risks such as market, credit, operational, pension, expense and model risks, each of which has an impact on our capital position.

Under the Basel framework, we are required to maintain a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with our overall risk profile and the current operating environment. Our economic risk capital model represents our internal view of the amount of capital required to support our business activities.

▸ Refer to "Capital strategy and framework" and "Regulatory capital framework" in Capital management for further information on our capital management framework.

During 2015, as part of our economic risk capital strategic development program to further embed economic risk capital into our risk appetite framework, we introduced a "gone concern" coverage ratio to assess the capital adequacy of our financial plans. Upon completion of the program, we plan to use the economic risk capital coverage ratio in our assessment process under two scenarios: (i) a "going concern" basis, which means that we hold sufficient capital to absorb losses while remaining in business, and (ii) a "gone concern" basis, which means that we hold sufficient capital to fund an orderly resolution.

The gone concern coverage ratio introduced in 2015 strengthened our risk capital assessment process by further integrating it into our risk appetite and risk management frameworks. In order to implement this, we (i) aligned the definition of loss absorbing available economic capital with the gone concern concept, (ii) recalibrated the gone concern economic risk capital coverage ratio bands to require monitoring and potential action according to certain thresholds (refer to chart "Economic risk capital coverage ratio bands") and (iii) introduced strategic buffers to reflect an estimate of the impact of planned model changes. We updated our economic risk capital model definitions to reflect the changes implemented in 2015, and restated the available economic capital and the economic risk capital coverage ratio for prior periods to show meaningful trends. We further plan to incorporate the going concern economic risk capital coverage ratio into our assessment process and expand its use across our legal entities.

▸ Refer to "Methodology and model developments" in Risk review and results – Economic risk capital review for further information.

### Methodology and scope

Economic risk capital measures risks in terms of economic realities rather than regulatory or accounting rules and estimates the amount of capital needed to remain solvent and in business under extreme market, business and operating conditions over the period of one year, given our target financial strength (our long-term credit rating). Economic risk capital is set to a level needed to absorb unexpected losses at a confidence level of 99.97%. Our economic risk capital model is a set of methodologies used for measuring quantifiable risks associated with our business activities on a consistent basis. It is calculated separately for position risk (reflecting our exposure to market and credit risks), operational risk and other risks. Within each of these risk categories, risks are further divided into subcategories, for which economic risk capital is calculated using the appropriate specific methodology. Some of these methodologies are common to a number of risk subcategories, while others are tailored to the particular features of single, specific risk types included in position risk, operational risk and other risks. Economic risk capital is calculated as the sum of position risk, operational risk and other risks.

#### Position risk and diversification benefit

Position risk is the level of unexpected loss from our portfolio of balance sheet and off-balance sheet positions over a one-year holding period and includes market and credit risks. Position risk is calculated at a 99% confidence level for risk management purposes and converted to a 99.97% confidence level for capital management purposes. Our position risks categories are described in the table "Position risk categories".

To determine our overall position risk, we consider the diversification benefit across risk types. Diversification benefit represents the reduction in risk that occurs when combining different, not perfectly correlated risk types in the same portfolio and is measured as the difference between the sum of position risk for the individual risk types and the position risk calculated for the combined portfolio. Hence, position risk for the combined portfolio is non-additive across risk types and is lower than the sum of position risk of its individual risk types due to risk reduction (or benefit) caused by portfolio diversification. When analyzing position risk for risk management purposes, we look at individual risk types before and after diversification benefit.

#### Operational risk

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people and systems or from external events. We use an internal model to calculate the economic capital requirement for operational risk at a 99.97% confidence level and a one-year holding period. A loss distribution approach based on historical data on internal and relevant external losses of peers is used to generate a loss distribution for a range of potential operational risk loss scenarios, such as unauthorized trading incidents, business interruption, fraud or other material business disruptions. The parameters estimated through the quantitative model are reviewed by business experts and senior management in order to take account of the business environment and internal control factors and to reflect a forward-looking view in the estimate. The capital calculation also includes a component to reflect litigation events and insurance mitigation. The overall approach is based on the same principles and methodology of the ○ AMA model used for regulatory capital requirements.

## Position risk categories

| Position risk categories | Risks captured |
|---|---|
| **Fixed income trading** | ■ Foreign exchange rates and volatilities<br>■ Interest rate levels and volatilities<br>■ Commodity prices and volatilities<br>■ Credit spreads and the risk of corporate bond defaults<br>■ Life finance and litigation business activities |
| **Equity trading & investments** | ■ Equity prices and volatilities<br>■ Non-recourse share-backed financing transactions<br>■ Liquid hedge funds exposures and fund-linked products<br>■ Equity risk arbitrage activities, in particular the risk that an announced merger may not be completed<br>■ Private equity, illiquid hedge funds and other illiquid equity investment exposures |
| **Private banking corporate & retail lending** | ■ Potential changes in the creditworthiness of counterparty exposures, mainly in the Swiss Universal Bank and International Wealth Management divisions and to a lesser extent in the Asia Pacific division and the Strategic Resolution Unit, and the risk of counterparty defaults |
| **International lending & counterparty exposures** | ■ Potential changes in the creditworthiness of counterparty exposures, mainly in the Investment Banking & Capital Markets division and to a lesser extent in the Global Markets division and the Strategic Resolution Unit, and the risk of counterparty defaults |
| **Emerging markets country event risk** | ■ Country events in emerging markets |
| **Real estate & structured assets** | ■ Commercial real estate activities and structured assets<br>■ Residential real estate activities and positions in asset-backed securities |

### Other risks

The other risks category includes the following:

- Our expense risk measures the potential difference between expenses and revenues in a severe market event, excluding the elements captured by position risk and operational risk, using conservative assumptions regarding the earnings capacity and the ability to reduce the cost base in a crisis situation.
- Pension risk is the risk that we, as a plan sponsor, are required to fund a deficit in employee pension schemes in an extreme event. It covers fluctuations in our pension plan assets and liabilities which can lead to potential funding shortfalls. Funding shortfalls can arise from a decline in asset values and/or an increase in the present value of liabilities. The shortfall would need to be funded using available resources. In order to recognize the potential for a funding shortfall, we apply an economic risk capital charge.
- Owned real estate risk is defined as the capital at risk which arises from fluctuations in the value of buildings owned by the Group.
- Foreign exchange risk is the risk arising from a currency mismatch between available economic capital and economic risk capital required.
- Corporate interest rate risk is the interest rate risk on our treasury positions.
- The impact from deferred share-based compensation awards captures the economic benefit that may result from covering our structural short obligations to deliver own shares through market purchases during times of falling market prices.
- Model uncertainty add-on addresses other potential low-probability events with potential high impact for which limited market data exists. It also reflects an estimate of the impacts of certain planned methodology changes.

### Available economic capital

Available economic capital is an internal view of the capital available to absorb losses based on the reported BIS look-through CET1 capital under ○ Basel III, with economic adjustments applied to provide consistency with our economic risk capital. It enables a comparison between capital needs (economic risk capital) and capital resources (available economic capital).

### Economic risk capital coverage ratio

Economic risk capital coverage ratio is defined as the ratio of capital available to absorb losses in a gone concern scenario (available economic capital) to capital needs (economic risk capital). The economic risk capital coverage ratio is primarily meant to provide an assessment of our solvency and reflects our best internal assessment of risk and loss absorbing capacity in an extreme scenario. Furthermore, the economic risk capital coverage ratio is embedded in our risk appetite framework through our capital adequacy objective.

The economic risk capital coverage ratio operates with a number of distinct bands that serve as key control for monitoring and managing our operational solvency. An economic risk capital coverage ratio lower than 125% requires senior management review, followed by an action plan at a coverage ratio lower than 110%. Immediate actions such as risk reductions or capital measures would be

triggered at a coverage ratio lower than 100%. The Board has set the minimum level for this coverage ratio at 80%.

### Governance

Our economic risk capital framework is governed and maintained by a dedicated steering committee, which regularly reviews, assesses and updates the economic risk capital methodology in light of market and regulatory developments, risk management practice and organizational changes. In addition, the steering committee approves new methodologies and prioritizes the implementation for its three components (position risk, operational risk and other risks).

## Stress testing framework

### Overview

Stress testing or scenario analysis provides an additional approach to risk management and formulates hypothetical questions, including what would happen to our portfolio if, for example, historic or adverse forward-looking events were to occur. A well-developed stress testing framework provides a powerful tool for senior management to identify these risks and also take corrective actions to protect the earnings and capital from undesired impacts.

Stress testing is a fundamental element of our Group-wide risk appetite framework included in overall risk management to ensure that our financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, used in risk appetite discussions and strategic business planning, and to support our internal capital adequacy assessment. Within the risk appetite framework, CARMC sets Group-wide stressed position loss limits to correspond to minimum post-stress capital ratios. Currently, limits are set on the basis of BIS CET1 capital ratios on a phase-in and look-through basis. Stress tests also form an integral part of the Group's recovery and resolution plan (RRP). Within the RRP, stress tests provide the indicative scenario severity required to reach recovery and resolution capital levels.

Stress testing provides key inputs for managing the following objectives of the risk appetite framework:

- Ensuring Group-wide capital adequacy on both a regulatory basis and under stressed conditions: We run a suite of scenarios on forecasted financial metrics such as revenues, expenses, pre-tax income and risk-weighted assets. The post-stress capital ratios are assessed against the risk appetite of the Group.
- Maintaining stable earnings: We mainly use stress testing to quantitatively assess earnings stability risk. Earnings-loss-triggers are established and monitored to contain excessive risk-taking which could compromise our earnings stability.

We also conduct externally defined stress tests that meet the specific requirements of regulators. For example, as part of various regular stress tests and analysis, FINMA requires a semi-annual loss potential analysis that includes an extreme scenario that sees European countries experience a severe recession resulting from the worsening of the European debt crisis.

### Methodology and scope of Group-wide stress testing

Stress tests are carried out to determine stressed position losses, earnings volatility and stressed capital ratios using historical, forward-looking and reverse stress testing scenarios. The scope of stress testing includes market, credit default, operational, business and pension risk. Stress tests also include the scenario impact on risk-weighted assets through changes to market, credit and operational components.

We use historical stress testing scenarios to consider the impact of market shocks from relevant periods of extreme market disturbance. Standardized severity levels allow comparability of severity across differing risk types. The calibration of bad day, bad week, severe event and extreme event scenarios involves the identification of the worst moves that have occurred in recent history. Severe flight to quality is our main scenario used for Group-wide stress testing and risk appetite setting. It is a combination of market shocks and defaults that reflects conditions similar to what followed the Lehman collapse during the fourth quarter of 2008. The severe flight to quality scenario assumes a severe market crash in equity and commodity markets, along with a widening of credit spreads and stressed default rates.

We use forward-looking stress testing scenarios to complement historical scenarios. The forward-looking scenarios are centered on potential macroeconomic, geopolitical or policy threats. A risk council comprised of internal economists, front office and representatives of the risk management function discusses the backdrop to several forward-looking scenarios. The risk council reviews a wide range of scenarios and selects those that are most relevant to the analysis of key macroeconomic shocks. Some examples of forward-looking scenarios include US and European country recessions, Middle East conflict and the impact of monetary policy changes by central banks. Various scenarios are also used to mitigate concentration risks across the entire firm, such as the credit concentration scenario. During 2015, the Group focused on the following forward-looking scenarios:

- Ending of credit cycle: there is a tightening in credit markets originating in the US following abrupt interest rate increases, and the US economy slides into a deep and prolonged recession with a substantial increase in default rates that then spreads globally.
- Greece exit scenarios: two scenarios reflected with differing degrees of severity resulting from an exit from the eurozone by Greece. In the first scenario, the exit by Greece is disorderly resulting from strict disciplinary actions by the authorities within the EU, leading markets to consider the eurozone as a conditionally (rather than irrevocably) fixed exchange rate regime, with credit spreads for selected eurozone countries permanently widening. By contrast, a second scenario of a managed exit of Greece results in efforts to bolster risk sharing and deepen integration among the remaining eurozone countries, leading to narrower credit spreads and lower risk premiums over the medium term after an initial spike.
- Emerging markets hard landing scenario: a slowdown in a major Asian economy, driven by defaults in the non-regulated

part of its finance industry, exacerbates falling investor confidence. Massive capital flight from emerging markets causes overall emerging markets gross domestic product growth to decline significantly, impacting growth in the eurozone and US economies.

The scenarios are reviewed and updated regularly as markets and business strategies evolve.

We use reverse stress testing scenarios to complement traditional stress testing and enhance our understanding of business model vulnerabilities. Reverse stress testing scenarios define a range of severe adverse outcomes and identify what could lead to these outcomes. The more severe scenarios include large counterparty failures, sudden shifts in market conditions, operational risk events, credit rating downgrades and the shutdown of wholesale funding markets.

### Governance

Our stress testing framework is comprehensive and governed by a dedicated steering committee. The scenario steering committee reviews the scenario methodology and approves changes to the scenario framework. Stress tests are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management, the business divisions and regulators.

## Market risk

### Definition

Market risk is the risk of financial loss arising from movements in market prices. The movements in market prices that generate financial losses are considered to be adverse changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices and other factors, such as market volatility and the correlation of market prices. A typical transaction or position in financial instruments may be exposed to a number of different market risks. Our trading portfolios (trading book) and non-trading portfolios (banking book) have different sources of market risk.

### Sources of market risk

Market risks arise from both our trading and non-trading business activities. The classification of assets into trading book and banking book portfolios determines the approach for analyzing our market risk exposure. This classification reflects the business and risk management perspective and may be different from the classification of these assets for financial reporting purposes.

#### Trading book

Market risks from our trading book relate to our trading activities primarily in Global Markets. Our trading book, as determined for risk management purposes, typically includes fair-valued positions only, primarily of the following balance sheet items: trading assets and trading liabilities, investment securities, other investments, other assets (mainly derivatives used for hedging, loans and real estate held-for-sale), short-term borrowings, long-term debt and other liabilities (mainly derivatives used for hedging).

We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products. Some of the structured products are customized transactions using combinations of derivatives and are executed to meet specific client or proprietary needs. As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

The market risks associated with the embedded derivative elements of our structured products are actively monitored and managed on a portfolio basis as part of our overall trading book and are reflected in our ○ VaR measures.

#### Banking book

Market risks from our banking book primarily relate to asset and liability mismatch exposures, equity participations and investments in bonds and money market instruments. Our businesses and the treasury function have non-trading portfolios that carry market risks, mainly related to changes in interest rates but also to changes in foreign exchange rates, equity prices and, to a lesser extent, commodity prices. Our banking book, as determined for risk management purposes, includes a majority of the following balance sheet items: loans, central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, cash and due from banks, brokerage receivables, due to banks, customer deposits, central bank funds purchased, securities sold under ○ repurchase agreements and securities lending transactions, brokerage payables, selected positions of short-term borrowings and long-term debt, and other assets and liabilities not included in the trading portfolio.

We assume interest rate risks in our banking book through lending and deposit taking, money market and funding activities, and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisions. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-managed on a pooled basis using replication portfolios on behalf of our private banking, corporate and institutional businesses. The replication portfolios approximate the interest rate characteristics of the underlying products. This particular source of market risk is monitored on a daily basis. The treasury function is responsible for the modeling and monitoring of the replication portfolios.

### Evaluation and management of market risk

We use market risk measurement and management methods capable of calculating comparable exposures across our many activities and focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and

external disclosure purposes. Our principal market risk measurement is VaR. In addition, our market risk exposures are reflected in scenario analysis, as included in our stress testing framework, position risk, as included in our economic risk capital, and sensitivity analysis. Each evaluation method aims to estimate the potential loss that we can incur due to an adverse market movement over a defined holding period with a specified confidence level. VaR, scenario analysis, position risk and sensitivity analysis complement each other in our market risk assessment and are used to measure market risk at the Group level. Our risk management practices are regularly reviewed to ensure they remain appropriate.

For the purpose of this disclosure, market risk in the trading book is measured using VaR and market risk in our banking book is measured using sensitivity analysis on related market factors.

### Value-at-Risk

VaR is a risk measure which quantifies the potential loss on a given portfolio of financial instruments over a certain holding period that is expected to occur at a certain confidence level. VaR can be applied for all financial instruments with sufficient price histories. Positions are aggregated by risk category rather than by product. For example, interest rate risk VaR includes the risk of fluctuations in interest rates arising from interest rate, foreign exchange, equity and commodity options, money market and swap transactions and bonds. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations between different assets, applying the concept of portfolio diversification benefit described above for position risk. Our VaR model is designed to take into account a comprehensive set of risk factors across all asset classes.

VaR is an important tool in risk management and is used for measuring quantifiable risks from our activities exposed to market risk on a daily basis. In addition, VaR is one of the main risk measures for limit monitoring, financial reporting, calculation of regulatory capital and regulatory backtesting.

Our VaR model is predominantly based on historical simulation which derives plausible future trading losses from the analysis of historic market prices. The model is responsive to changes in volatility through the use of exponential weighting, which applies a greater weight to more recent events, and the use of expected shortfall equivalent measures to ensure all significant events are included in the model. We use the same VaR model for risk management (including limit monitoring and financial reporting), regulatory capital calculation and regulatory backtesting purposes, except for the confidence level and holding period used and the scope of financial instruments considered.

For our risk management VaR, we use a two-year historical dataset, a one-day holding period and a 98% confidence level. This means that we would expect daily mark-to-market trading losses to exceed the reported VaR not more than twice in 100 trading days over a multi-year observation period. This measure captures risks in trading books only and includes securitization positions. It is more closely aligned to the way we consider the risks associated with our trading activities. Our VaR used for limit monitoring purposes also uses a two-year historical dataset, a one-day holding period and a 98% confidence level. This measure includes positions from both the trading book and the banking book and also includes securitization positions.

For regulatory capital purposes, we operate under the Basel III market risk framework which includes the following components for the calculation of regulatory capital: regulatory VaR, regulatory VaR for backtesting purposes, stressed VaR, IRC and the impact of changes in a counterparty's credit spreads (also known as CVA). The regulatory VaR for capital purposes uses a two-year historical dataset, a ten-day holding period and a 99% confidence level. This measure captures risks in the trading book only and excludes securitization positions as these are treated under the securitization approach for regulatory purposes. The regulatory VaR for backtesting purposes uses a two-year historical dataset, a one-day holding period and a 99% confidence level. This measure captures risks in the trading book and includes securitization positions. Stressed VaR replicates the regulatory VaR calculation on the Group's current portfolio over a continuous one-year observation period that results in the highest VaR. The continuous one-year observation period on a historical dataset starting in 2006 avoids the smoothing effect of the two-year dataset used for our risk management and regulatory VaR, allows for a longer history of potential loss events and helps reduce the pro-cyclicality of the minimum capital requirements for market risk. IRC is a regulatory capital charge for default and migration risk on positions in the trading books and intended to complement additional standards being applied to the VaR modeling framework, including stressed VaR.

Assumptions used in our market risk measurement methods for regulatory capital purposes are compliant with the standards published by the BCBS and other related international standards for market risk management. We have approval from FINMA, as well as from certain other regulators of our subsidiaries, to use our regulatory VaR model in the calculation of trading book market risk capital requirements. We continue to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at *www.credit-suisse.com/pillar3*.

▸ Refer to "Risk measurement models" in Capital management – Regulatory capital framework for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

### VaR limitations

The VaR model uses assumptions and estimates that we believe are reasonable, but VaR only quantifies the potential loss on a portfolio based on the behavior of historical market conditions. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future

outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities;
- Although VaR captures the relationships between risk factors, these relationships may be affected by stressed market conditions;
- VaR provides an estimate of losses at a specified confidence level, which means that it does not provide any information on the size of losses that could occur beyond that confidence level;
- VaR is based on either a one-day (for internal risk management, backtesting and disclosure purposes) or a ten-day (for regulatory capital purposes) holding period. This assumes that risks can be either sold or hedged over the holding period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence; and
- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.

To mitigate some of the VaR limitations and estimate losses associated with unusually severe market movements, we use other metrics designed for risk management purposes and described above, including stressed VaR, position risk and scenario analysis.

For some risk types there can be insufficient historical data for a calculation within the Group's VaR model. This often happens because underlying instruments may have traded only for a limited time. Where we do not have sufficient market data, either market data proxies or extreme parameter moves for these risk types are used. Market data proxies are selected to be as close to the underlying instrument as possible. Where neither a suitable market dataset nor a close proxy is available, extreme parameter moves are used which are aggregated assuming a zero correlation.

Risks that are not currently implemented within the Group's VaR model such as certain basis risks, higher order risks and cross risks between asset classes are captured through ○ risk not in VaR (RNIV) calculations. RNIV is also used if accurate sensitivity analysis cannot be performed for the respective risks.

We use a risk factor identification process to ensure that risks are identified and measured correctly. There are two parts to this process. First, the market data dependency approach systematically determines the risk requirements based on data inputs used by front-office pricing models and compares this with the risk types that are captured by the Group's VaR model and the RNIV framework. Second, the product-based approach is a qualitative analysis of product types to identify the risk types that those product types would be exposed to. A comparison is again made with the risk types that are captured in the VaR and RNIV frameworks. Through this process, risks that are not yet captured in the VaR model or the RNIV framework are identified. A plan for including these risks in one or the other framework can then be devised. RNIV is captured in our economic risk capital framework.

### VaR backtesting

Various techniques are used to assess the accuracy of the VaR methodology used for risk management and regulatory purposes. Backtesting is used to assess the accuracy of the regulatory VaR model. The purpose of the VaR backtesting process is to assess the accuracy and performance of our regulatory VaR model, to assess if our regulatory capital is sufficient to absorb actual losses, and to encourage developments to our VaR model. Backtesting involves comparing the results produced by the VaR model with the actual daily trading revenue. Actual daily trading revenues for the purpose of this backtesting are defined as gains and losses arising from our trading activities, including mark-to-market gains and losses, the net cost of funding, and fees and commissions. Actual daily trading revenues do not include gains and losses resulting from valuation adjustments associated with counterparty and own credit exposures. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. Statistically, at the overall Group level, given the 99% confidence level and the one-day holding period used in the regulatory VaR model for backtesting purposes, we would expect daily trading losses to exceed the calculated daily VaR not more than once in 100 trading days over a multi-year observation period.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues. The subset of actual daily trading revenues is defined on a consistent basis as the gains and losses for the regulatory VaR model but excludes non-market elements such as fees, commissions, non-market-related provisions, gains and losses from intra-day trading, cancellations and terminations.

### VaR governance

Like other sophisticated models, our VaR model is subject to internal governance including validation by a team of modeling experts independent from the model developers. Validation includes identifying and testing the model's assumptions and limitations, investigating its performance through historical and potential future stress events, and testing that the live implementation of the model behaves as intended. We employ a range of different control processes to help ensure that the models used for market risk remain appropriate over time. As part of these control processes, a dedicated VaR governance steering committee meets regularly to review model performance and approve any new or amended models.

## Sensitivity analysis

Market risks associated with our banking book positions are measured, monitored and limited using several tools, including economic risk capital, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with our banking book positions are measured using sensitivity analysis. Sensitivity analysis is a technique used to determine how different values of an independent variable will impact a particular dependent variable under a given set of assumptions. The sensitivity analysis for the banking book positions measures the potential change in economic value resulting

from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the banking book positions generally are not marked to market through earnings.

### Credit and debit valuation adjustments

Credit valuation adjustments are modifications to the measurement of derivative assets used to reflect the credit risk of counterparties. Debit valuation adjustments are modifications to the measurement of derivative liabilities used to reflect an entity's own credit risk. VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products.

## Credit risk

### Definition

Credit risk is the risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a counterparty default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets measured at fair value, with valuation changes recorded in the consolidated statements of operations.

### Sources of credit risk

The majority of our credit risk is concentrated in our private banking, corporate and institutional as well as investment banking businesses. Credit risk arises from lending products, irrevocable loan commitments, credit guarantees and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

### Evaluation and management of credit risk

Effective credit risk management is a structured process to assess, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Our credit risk management framework covers virtually all of the Group's credit exposure and includes the following core components:

- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- industry concentration limits;
- product limits;
- risk-based pricing methodologies;
- active credit portfolio management; and
- a credit risk provisioning methodology.

### Counterparty and transaction rating systems

We employ a set of credit ratings for the purpose of internally rating counterparties to whom we are exposed to credit risk as the contractual party, including with respect to loans, loan commitments, securities financings or OTC derivative contracts. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

Our internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings for consumer loans and for corporates managed on the Swiss platform are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. Internal ratings for all other corporate and institutional credit facilities are reviewed at least annually. For the calculation of internal risk estimates (e.g., an estimate of expected loss in the event of a counterparty default) and risk-weighted assets, a probability of default (PD), loss given default (LGD) and exposure at default (EAD) are assigned to each facility. These three parameters are primarily derived from internally developed statistical models that have been backtested against internal experience, validated by a function independent of the model owners on a regular basis and approved by our main regulators for application in the regulatory capital calculation in the A-IRB approach under the Basel framework.

For corporates managed on the Swiss platform, consumer loans, and since 2015 the majority of all other corporate and institutional counterparties, an internal rating or a PD is calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative (primarily balance sheet information for corporates and loan-to-value (LTV) ratio and the borrower's income level for mortgage lending) and qualitative factors (e.g., credit histories from credit reporting bureaus). For models calculating a PD, an equivalent rating based on the Standard & Poor's rating scale is assigned based on the PD band associated with each rating, which is used for disclosure purposes.

For the remaining corporate and institutional facilities not yet using a statistical rating model, a PD is determined through an internal rating assigned on the basis of a structured expert approach. Internal credit ratings are based on an analysis and evaluation of both quantitative and qualitative factors concentrating on economic trends and financial fundamentals. Credit officers make use of peer analysis, industry comparisons, external ratings and research as well as the judgment of credit experts for the purpose of their analysis. The PD for each internal rating is calibrated to historical default experience using internal data and external data from Standard & Poor's.

LGD represents the expected loss on a transaction should a default occur, and our LGD models consider the structure, collateral, seniority of the claim, counterparty industry, recovery costs and downturn conditions.

EAD represents the expected exposure in the event of a default. Off-balance sheet exposures are converted into expected

EADs through the application of a credit conversion factor which is modeled using internal data.

We use internal rating methodologies consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic risk capital measurement and allocation and financial accounting. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates.

Our internal rating grades are mapped to the Group's internal masterscale. The PDs assigned to each rating grade are reflected in the following table.

## Credit Suisse counterparty ratings

| Ratings | PD bands (%) | Definition | S&P | Fitch | Moody's | Details |
|---|---|---|---|---|---|---|
| AAA | 0.000–0.021 | Substantially risk free | AAA | AAA | Aaa | Extremely low risk, very high long-term stability, still solvent under extreme conditions |
| AA+<br>AA<br>AA- | 0.021–0.027<br>0.027–0.034<br>0.034–0.044 | Minimal risk | AA+<br>AA<br>AA- | AA+<br>AA<br>AA- | Aa1<br>Aa2<br>Aa3 | Very low risk, long-term stability, repayment sources sufficient under lasting adverse conditions, extremely high medium-term stability |
| A+<br>A<br>A- | 0.044–0.056<br>0.056–0.068<br>0.068–0.097 | Modest risk | A+<br>A<br>A- | A+<br>A<br>A- | A1<br>A2<br>A3 | Low risk, short- and medium-term stability, small adverse developments can be absorbed long term, short- and medium-term solvency preserved in the event of serious difficulties |
| BBB+<br>BBB<br>BBB- | 0.097–0.167<br>0.167–0.285<br>0.285–0.487 | Average risk | BBB+<br>BBB<br>BBB- | BBB+<br>BBB<br>BBB- | Baa1<br>Baa2<br>Baa3 | Medium to low risk, high short-term stability, adequate substance for medium-term survival, very stable short term |
| BB+<br>BB<br>BB- | 0.487–0.839<br>0.839–1.442<br>1.442–2.478 | Acceptable risk | BB+<br>BB<br>BB- | BB+<br>BB<br>BB- | Ba1<br>Ba2<br>Ba3 | Medium risk, only short-term stability, only capable of absorbing minor adverse developments in the medium term, stable in the short term, no increased credit risks expected within the year |
| B+<br>B<br>B- | 2.478–4.259<br>4.259–7.311<br>7.311–12.550 | High risk | B+<br>B<br>B- | B+<br>B<br>B- | B1<br>B2<br>B3 | Increasing risk, limited capability to absorb further unexpected negative developments |
| CCC+<br>CCC<br>CCC-<br>CC | 12.550–21.543<br>21.543–100.00<br>21.543–100.00<br>21.543–100.00 | Very high risk | CCC+<br>CCC<br>CCC-<br>CC | CCC+<br>CCC<br>CCC-<br>CC | Caa1<br>Caa2<br>Caa3<br>Ca | High risk, very limited capability to absorb further unexpected negative developments |
| C<br>D1<br>D2 | 100<br>Risk of default has materialized | Imminent or actual loss | C<br>D | C<br>D | C | Substantial credit risk has materialized, i.e., counterparty is distressed and/or non-performing. Adequate specific provisions must be made as further adverse developments will result directly in credit losses. |

Transactions rated C are potential problem loans; those rated D1 are non-performing assets and those rated D2 are non-interest earning.

### Credit risk and country concentration limits overview

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products and industries. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis, and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties that could be subject to adverse changes in creditworthiness.

### Active credit portfolio management

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance. Impaired transactions are further classified as potential problem exposure, non-performing exposure, non-interest-earning exposure or restructured exposure, and the exposures are generally managed within credit recovery units. The credit portfolio & provisions review committee regularly determines the adequacy of allowances.

### Credit risk provisioning methodology

We maintain specific valuation allowances on loans valued at amortized cost, which we consider a reasonable estimate of losses identified in the existing credit portfolio. We provide for loan losses based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a specific valuation allowance is either created or adjusted accordingly. The specific allowance for loan losses is revalued by Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

In accordance with accounting principles generally accepted in the US (US GAAP), an inherent loss allowance is estimated

for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. Inherent losses in the lending portfolio of the private banking, corporate and institutional businesses are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In the investment banking businesses, inherent losses on loans are estimated based on a model using long-term industry-wide historical default and recovery data taking into account the credit rating and industry of each counterparty. A separate component of the calculation reflects the current market conditions in the allowance for loan losses. Qualitative adjustments to reflect current market conditions or any other factors not captured by the model are approved by management and reflected in the allowance for loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

### Risk mitigation

We actively manage our credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, such as cash and marketable securities, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

*Collateral valuation and management*

The policies and processes for collateral valuation and management are driven by legal documentation that is agreed with our counterparties and an internally independent collateral management function.

For portfolios collateralized by marketable securities, collateral is valued daily, except as agreed otherwise in contracts or other legal documentation. The mark-to-market prices used for valuing collateral are a combination of Group-internal and market prices sourced from trading platforms and service providers, as appropriate. The management of collateral is standardized and centralized to ensure complete coverage of traded products.

For the mortgage lending portfolios in our private banking, corporate and institutional businesses, real estate property is valued at the time of credit approval and periodically thereafter, according to our internal policies and controls, depending on the type of loan (e.g., residential or commercial loan) and LTV ratio.

*Primary types of collateral*

The primary types of collateral typically depend on the type of credit transaction.

Collateral securing foreign exchange transactions and OTC trading activities primarily includes cash and US treasury instruments, G10 government securities and corporate bonds.

Collateral securing loan transactions primarily includes financial collateral pledged against loans collateralized by securities of clients in our private banking, corporate and institutional businesses (primarily cash and marketable securities), real estate property for mortgages, mainly residential, but also multi-family buildings, offices and commercial properties, and other types of lending collateral such as accounts receivable, inventory, plant and equipment.

### Credit risk governance

Credit risk is managed and controlled by Group credit risk management, an independent function within the risk management area and governed by a framework of policies and procedures. Key processes are reviewed through supervisory checks on a regular basis by management, including the functional area head.

In 2015, we strengthened the Credit Risk Review (CCR) function and established a direct reporting line to the Board's Risk Committee. CCR is a control function independent from credit risk management and provides regular assessments of the Group's credit exposures and credit risk management practices. CCR is responsible for performing cycled and continuous credit monitoring activities, including (i) identifying credit exposures with potential weaknesses, (ii) assessing the accuracy and consistency of Group counterparty and transaction ratings, (iii) assessing compliance with internal and regulatory requirements for credit risk management, (iv) ensuring compliance with regulatory and supervisory statements where CRR is designated as a control function, and (v) reporting trends and material review recommendations to the Risk Committee and senior management.

## Operational risk

### Definition

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.

### Sources of operational risk

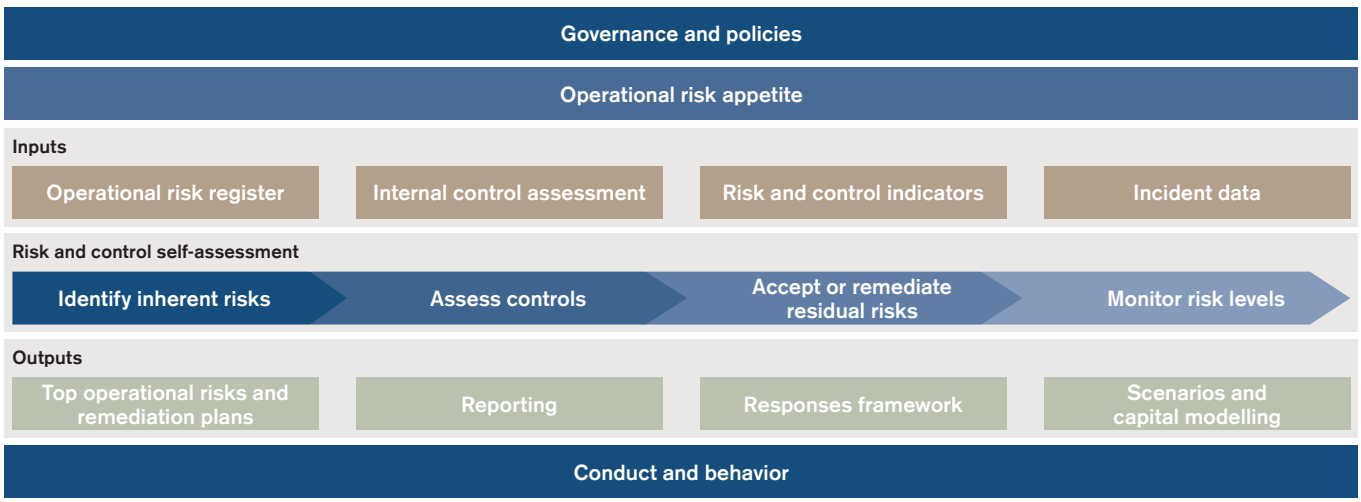
Operational risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent transactions, trade processing errors, business disruptions, failures in regulatory compliance, defective transactions, and unauthorized trading events. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, or natural and man-made disasters.

### Evaluation and management of operational risk

Operational risk framework

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. We believe that effective management of operational risk requires a common Group-wide operational risk framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. We started to introduce our current operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past three years, we have redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together. The following diagram provides a representation of the main components of our operational risk framework.

### Operational risk framework




The operational risk framework provides a structured approach to managing operational risk. It seeks to apply consistent standards and techniques for evaluating risks across the Group while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet Group-wide minimum standards. The main components of the operational risk framework are described below:

- Governance and policies: The operational risk framework relies on an effective governance process that establishes clear roles and responsibilities for managing operational risk and defines appropriate escalation processes for outcomes that are outside expected levels. We utilize a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.
- Operational risk appetite: This determines our approach to risk-taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures. Senior management expresses their risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents and qualitative statements covering outcomes that should be avoided. They define their risk appetite with the relevant risk management committees in agreement with the operational risk management function.
- Operational risk register: The register comprises a catalog of inherent operational risks arising as a consequence of our business activities. It provides a consistent approach for classifying operational risks across the Group which ensures that they are treated consistently by other operational risk framework components using the appropriate processes and tools.
- Internal control assessment: We utilize a comprehensive set of internal controls that are designed to ensure that our activities follow agreed policies and that processes operate as intended.

Certain key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other operational risk framework components, such as in the risk and control self-assessment (RCSA) process.

- Risk and control indicators: These are metrics that are used to monitor particular operational risks and controls over time. They may be associated with thresholds that define acceptable performance and provide early warning signals about potential impending issues.
- Incident data: We systematically collect, analyze and report data on operational risk incidents to ensure that we understand the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. We focus on both incidents that result in economic losses and events that provide information on potential control gaps, even if no losses occurred. We also collect and utilize available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the Group.
- Risk and control self-assessments: RCSAs are comprehensive, bottom-up assessments of the key operational risks in each business and control function. They comprise a self-assessment that covers the inherent risks of each business and control function, an evaluation of the effectiveness of the controls in place to mitigate these risks and a decision to either accept or remediate any residual risks. The self-assessments are subject to quality assurance by the operational risk management function to ensure that they have been conducted appropriately. RCSAs utilize other components of the operational risk framework, such as risk and control indicators and incident data, and they generate outputs that are used to manage and monitor risks.
- Top operational risks and remediation plans: A set of top operational risks are used to highlight the most significant risks to senior management, along with associated risk remediation efforts. Top operational risks are generated using both a top-down assessment by senior management and a bottom-up process that collates the main themes arising from the RCSA process.
- Reporting: We produce a wide range of regular management information reports covering the key inputs and outputs of the operational risk framework. These reports are used by senior management to monitor outcomes against agreed targets and tolerance levels.
- Responses framework: This provides a structured approach to responding to operational risk incidents and breaches of operational risk appetite. The incident management component includes a defined process for identifying, categorizing, investigating, escalating and remediating incidents. We conduct detailed investigations for significant operational risk incidents. These investigations seek to assess the causes of control failings, establish appropriate remediation actions and ascertain whether events have implications for other businesses. They can result in recommendations to impose restrictions on businesses while risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative operational risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how best to remediate issues that fall outside agreed risk appetite levels.
- Scenarios and capital modelling: Scenarios are used to identify and measure exposure to a range of adverse events, such as unauthorized trading. These scenarios help businesses assess the suitability of controls in the light of potential losses, and they are also an input to the internal model used by the Group to calculate economic and regulatory capital. These capital charges are allocated to individual businesses for performance measurement purposes and to incentivize appropriate management actions.
- Conduct and behavior: Recognizing that effective operational risk management relies on employees conducting themselves appropriately, several operational risk framework components include assessments of behavior. For example, investigations of incidents typically consider whether employees escalated issues at an appropriately early stage. Risks that have implications for conduct risk can be identified and assessed via the operational risk register and the RCSA process.

In addition to managing and mitigating operational risks under the operational risk framework through business- and risk-related processes and organization, we also transfer the risk of potential loss from certain operational risks to third-party insurance companies, where appropriate.

We are continuously enhancing our operational risk management practices and have an ongoing program to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. Potential enhancements are typically tested in one area to check that they deliver the intended benefits before being rolled out across the Group.

In 2015, we introduced a more structured approach to managing the operational risks in connection with major change initiatives, such as the implementation of significant new regulatory requirements and IT projects. This approach is designed to ensure that the operational risks of these initiatives are identified, assessed and managed throughout the life of each program using the relevant components of the operational risk framework. It also considers the fact that even initiatives that are expected to deliver operational risk benefits upon completion may result in increased risks during the implementation phase. We have also established a dedicated function to analyze the risks associated with the deployment of roles and functions to our centers of excellence and the use of third-party vendors and suppliers. This function provides an independent review and challenge over these activities. Furthermore, we have made enhancements to the risk and control indicators that we use to monitor operational risks and assess compliance with the Group's risk appetite. This provides more consistent

and comprehensive risk reporting and clearer triggers for management action.

Maintaining the effectiveness of the Group's control environment is critical to ensuring that operational risks remain within acceptable levels. In 2015, we made improvements to our approaches to cataloging, documenting and evaluating key controls, which should provide more robust and supportable control assessments for use in the RCSA process. This remains an important area of management focus and we plan to make further enhancements in 2016 by introducing a systematic control activities framework that applies consistent standards and approaches to relevant control activities across the Group. This will be a multi-year initiative that starts with the most significant controls and rolls out new processes using a phased approach.

We have continued to make progress in embedding assessments of employee behavior in the risk assessment framework. In 2015, the set of business conduct behaviors were incorporated into a number of human capital management processes, including recruitment, induction, performance assessment, promotion and compensation. We have also introduced enhanced risk indicators covering behavior- and conduct-related matters.

### Operational risk regulatory capital measurement

We have used an internal model to calculate the regulatory capital requirement for operational risk under the AMA approach since 2008. In 2014, we introduced an enhanced internal model that incorporated recent developments regarding operational risk measurement methodology and associated regulatory guidance. The revised model for calculating the regulatory capital requirement for operational risk was approved by FINMA with effect from January 1, 2014. We view the revised model as a significant enhancement to our capability to measure and understand the operational risk profile of the Group that is also more conservative than the previous approach.

The model is based on a loss distribution approach that uses historical data on internal and relevant external losses of peers to generate frequency and severity distributions for a range of potential operational risk loss scenarios, such as an unauthorized trading incident or a material business disruption. Business experts and senior management review, and may adjust, the parameters of these scenarios to take account of business environment and internal control factors, such as RCSA results and risk and control indicators, to provide a forward-looking assessment of each scenario. Insurance mitigation is included in the regulatory capital requirement for operational risk where appropriate, by considering the level of insurance coverage for each scenario and incorporating haircuts as appropriate. The internal model then uses the adjusted parameters to generate an overall loss distribution for the Group over a one-year time horizon. The AMA capital requirement represents the 99.9th percentile of this overall loss distribution. We use a risk-sensitive approach to allocating the AMA capital requirement to businesses that is designed to be forward-looking and incentivize appropriate risk management behaviors.

In 2015, we made improvements to the model's treatment of litigation-related losses. Although past litigation losses and litigation-related provisions were incorporated in the model, for FINMA regulatory capital purposes an add-on was previously used to capture the aggregate range of reasonably possible litigation-related losses that are disclosed in our financial statements but are not covered by existing provisions. These reasonably possible losses are now fully captured within the model using an analytical approach and the add-on has therefore been removed with FINMA approval. We also made enhancements to further align the operational risk scenarios with other key components of the operational risk framework and to ensure consistency with the stress scenario framework developed for enterprise-wide risk management purposes.

### Operational risk governance

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams that are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise. Businesses and relevant control functions meet regularly to discuss operational risk issues and identify required actions to mitigate risks.

The operational risk management function is responsible for the overall design of the operational risk management framework, for operational risk capital modeling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices throughout the Group for operational risk management, specifically with regard to the identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the quarterly CARMC meetings covering operational risk and at divisional risk management committees, which have senior staff representatives from all the relevant functions.

## Conduct risk

Conduct risk is the risk that poor conduct by the Group, its employees or representatives could result in clients not receiving fair treatment or fair outcomes from the transactions they undertake, damage to the integrity of the financial markets or the wider financial system, or ineffective competition in the markets in which we operate that disadvantages clients.

Conduct risk may arise from a variety of sources, including unauthorized trading, the potential unsuitability of products sold or advice provided to clients, inadequate disclosure, failure to manage conflicts of interest, trade processing errors, inaccurate benchmark submissions, failure to provide best execution where required, acting in an anti-competitive manner, failure to safeguard

client data or assets and breaches of regulatory rules or laws by individual employees or the Group's market conduct.

Conduct risk is being further embedded into the RCSA process within the operational risk framework, which considers the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing and learning from past incidents within the Group and at other firms in the financial services sector.

Conduct risk is primarily addressed through specific supervisory controls implemented across the Group and targeted training activities. We seek to promote good behavior and conduct through the Group's Code of Conduct, which provides a clear statement of the ethical values and professional standards as a basis for maintaining and strengthening our reputation for integrity, fair dealing and measured risk-taking, and the set of business conduct behaviors. Our employee performance assessment and compensation processes are linked to the Code of Conduct and the set of business conduct behaviors.

**Technology risk**

Technology risk is the risk of financial loss arising from failure, exploitation of vulnerabilities or other deficiencies in the electronic platforms that support our daily operations and the system applications and infrastructure on which they reside. As a component of operational risk, technology risk is inherent not only in our IT assets, but also in the people and processes that interact with them.

Cyber risk, which is part of technology risk, is the risk that our systems will not operate properly or will be compromised as a result of cyber-attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact. Any such event could subject us to litigation or cause us to suffer a financial loss, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage. We could also be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures.

Service and infrastructure disruption risks are managed through our business continuity management plan, our technology risk management program and other contingency and resiliency plans. Although we have business continuity plans, our businesses face a wide variety of operational risks, including technology risk arising from dependencies on IT, third-party suppliers and the worldwide telecommunications infrastructure. As a global financial services company, we operate in a complex technological landscape covering our diverse business model. Ensuring that the confidentiality, integrity and availability of information assets are protected is critical to our operations.

**Legal, compliance and regulatory risks**

Legal risk is the risk of loss or imposition of damages, fines, penalties or other liability or any other material adverse impact arising from circumstances including the failure to comply with legal obligations, whether contractual, statutory or otherwise, changes in enforcement practices, the making of a legal challenge or claim against us, our inability to enforce legal rights or the failure to take measures to protect our rights.

Compliance risk is the risk of legal or regulatory sanctions or financial loss that may result from the failure to comply with laws, regulations, rules or market standards.

Regulatory risk is the risk that changes in laws, regulations, rules or market standards may limit our activities and have a negative effect on our business or our ability to implement strategic initiatives, or can result in an increase in operating costs for the business or make our products and services more expensive for clients.

As part of our risk framework, legal, compliance and regulatory risks fall within the definition of operational risk. Management of these risks is the responsibility of all our employees.

**Reputational risk**

Reputational risk is the risk that negative perception by our stakeholders may adversely impact client acquisition and damage our business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial client, the regulatory or political climate in which the business will be transacted, and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself.

Our policy is to avoid any transaction or service that brings with it the risk of a potentially unacceptable level of damage to our reputation. We have a number of measures to mitigate potential reputational risk.

Reputational risk potentially arising from proposed business transactions and client activity is assessed in the reputational risk review process. The policy requires employees to be conservative when assessing potential reputational impact and, where certain indicators give rise to potential reputational risk, the relevant business proposal or service must be submitted through the reputational risk review process. This involves a submission by an originator (any employee), endorsement by a business area head or designee, and its subsequent referral to one of the regional reputational risk approvers, each of whom is an experienced and high-ranking senior manager, independent of the business divisions, who has authority to approve, reject or impose conditions on our participation in the transaction or service.

The RRSC, on a global level, and the regional reputational risk committees, on a regional level, are the governing bodies responsible for the oversight and active discussion of reputational risk and sustainability issues. At the Board level, the Risk Committee and Audit Committee jointly assist the Board in fulfilling its reputational risk oversight responsibilities by reviewing and assessing the adequacy of the management of reputational risks.

In order to inform our stakeholders about how we manage some of the environmental and social risks inherent to the banking

business, we publish our *Corporate Responsibility Report*, in which we also describe our efforts to conduct our operations in a manner that is environmentally and socially responsible and broadly contributes to society.

**Fiduciary risk**

Fiduciary risk is the risk of financial loss arising when the Group or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of our client's assets including from a product-related market, credit, liquidity and operational risk perspective.

Monitoring investment performance and measuring risks across discretionary client portfolios is central to our oversight program. Areas of focus include:

- Monitoring client investment guidelines or breaches of investment fund obligations to investors. In certain cases, internal limits or guidelines are also established and monitored.
- Ensuring discretionary portfolio managers' investment approach is in line with client expectations and in accordance with written sales and marketing materials.
- Measuring investment performance of client investments and comparing the returns against benchmarks to understand sources and drivers of the returns.
- Assessing risk measures such as exposure, sensitivities, stress scenarios, expected volatility and liquidity across our portfolios to ensure that we are managing the assets in line with the clients' expectations and risk tolerance.
- Treating clients with a prudent standard of care, which includes information disclosure, subscriptions and redemptions processes, trade execution and the highest ethical conduct.

Sound governance is essential for all discretionary management activities including trade execution and investment process. Our program targets daily, monthly or quarterly monitoring of all portfolio management activities with independent analysis provided to senior management. Formal review meetings are in place to ensure that investment performance and risks are in line with expectations and adequately supervised.

**Strategic risk**

Strategic risk is the risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment. Strategic risk may arise from a variety of sources, including:

- inadequate or inaccurate understanding of our existing capabilities and competitive positioning;
- inadequate or inaccurate analysis of current and prospective operating conditions in our markets including macroeconomic environment, client and competitor behaviors and actions, regulatory developments and technological impacts;
- inappropriate strategic decisions, such as those pertaining to which activities we will undertake, which markets and client segments we will serve, which organizational structure we will adopt and how we will position ourselves relative to competitors;
- ineffective implementation and execution of chosen business strategies and related organizational changes;
- inability to properly identify and analyze key changes in our operating environment, and to adapt strategies accordingly; and
- inability to properly monitor progress against strategic objectives.

A wide variety of financial, risk, client and market analyses are used to monitor the effectiveness of our strategies and the performance of our businesses against their strategic objectives. These include analysis of current and expected operating conditions, analysis of current and target market positioning, and detailed scenario planning.

Strategic plans are developed by each division annually and aggregated into a Group plan, which is reviewed by the CRO, CFO and CEO before presentation to the Executive Board. Following approval by the Executive Board, the Group plan is submitted for review and approval to the Board. In addition, there is an annual strategic review at which the Board evaluates the Group's performance against strategic objectives and sets the overall strategic direction for the Group. From time to time, the Board and the Executive Board conduct more fundamental in-depth reviews of the Group's strategy. This type of review was undertaken following the appointment of the new CEO in 2015 and leading to the announcement of our new strategy on October 21, 2015.

▸ Refer to "Strategy" in I – Information on the company for further information.

To complement the annual cycle, each division presents a more detailed individual analysis to review key dimensions of its strategy at various points during the year. Additionally, the CEO, the Executive Board and individual business heads regularly assess the performance of each business against strategic objectives through a series of strategic business reviews conducted throughout the year. The reviews include assessments of business strategy, overall operating environment, including competitive position, financial performance and key business risks.

## RISK REVIEW AND RESULTS

### Economic risk capital review

#### Methodology and model developments

We regularly review and update our economic risk capital methodology to ensure consistency with our business activities and relevance to our business and financial strategies. In 2015, we have enhanced our position risk, economic risk capital and available economic capital methodology, datasets and model parameters and have restated the respective prior-period balances for these updates in order to show meaningful trends.

### Position risk

In 2015, we made the following enhancements to the position risk methodology for risk management purposes: for private banking corporate & retail lending exposures, we enhanced the capturing of credit rating change risk, credit spread risk and exposure concentration risk. For real estate & structured assets, we recalibrated the correlation between residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). For international lending and counterparty exposures, we enhanced the capturing of counterparty risk by improving the relationship between rating and loss given default. We also made an enhancement to the position risk dataset for risk management purposes: for fixed income trading, the dataset now includes higher order risks in certain credit derivatives used to hedge traded credit spread risk. The enhancement also helps to standardize the risk capture of these products across the businesses.

The net impact of the 2015 changes and updates on position risk for the Group as of December 31, 2014 was a decrease of CHF 203 million, or 1.7%.

### Economic risk capital

For economic risk capital used for capital management purposes, in addition to adopting the above position risk changes and updates, we made the following enhancements:

- for operational risk, we enhanced the connection between the economic risk capital model and our internal approach for the regulatory capital calculation under the AMA approach following the annual recalibration of the operational risk model. Furthermore, we recalibrated the correlation between operational risk and position risk; and
- for other risks, we further increased our other risks charge to reflect a recalibration of our economic risk capital model reserve component to account for planned methodology changes. In addition, we amended our deferred share-based compensation awards model to implement a more dynamic assessment of the economic benefit that may result from covering our structural short obligations to deliver own shares through market purchases during times of falling market prices.

The net impact of the 2015 changes and updates on economic risk capital for the Group as of December 31, 2014 was an increase of CHF 638 million, or 1.9%.

### Available economic capital

For available economic capital, we made the following enhancements to reflect the adoption of the gone concern approach:

- including low-trigger capital instruments in addition to high-trigger capital instruments, which were already included;
- excluding deferred tax assets, as they do not absorb losses in a gone concern scenario;
- excluding any dividend accruals to reflect that in the event of an orderly wind-down, no dividend will be paid; and
- taking an economic view of the funded status of our pension plans, such that any unfunded pension obligations in accordance with US GAAP are excluded from CET1 capital to align with the economic funding view captured in the economic risk capital model.

The net impact of this methodology change on available economic capital for the Group as of December 31, 2014 was an increase of CHF 6.7 billion, or 17.1%.

## Economic risk capital

| | Group | | | Bank [1] | | |
|---|---|---|---|---|---|---|
| end of | **2015** | 2014 | % change | **2015** | 2014 | % change |
| **Available economic capital (CHF million)** | | | | | | |
| BIS look-through CET1 capital (Basel III) | 32,938 | 28,576 | 15 | 33,275 | 28,720 | 16 |
| Economic adjustments [2] | 16,577 | 17,135 | (3) | 15,164 | 16,211 | (6) |
| **Available economic capital** | **49,515** | **45,711** | 8 | **48,439** | **44,931** | 8 |
| **Economic risk capital (CHF million)** | | | | | | |
| Position risk (99.97% confidence level) | 22,695 | 21,038 | 8 | 22,538 | 20,883 | 8 |
| Operational risk | 7,501 | 7,084 | 6 | 7,501 | 7,084 | 6 |
| Other risks [3] | 6,018 | 6,746 | (11) | 5,814 | 6,534 | (11) |
| **Economic risk capital** | **36,214** | **34,868** | 4 | **35,853** | **34,501** | 4 |
| **Economic risk capital coverage ratio (%)** | | | | | | |
| **Economic risk capital coverage ratio [4]** | **137** | **131** | – | **135** | **130** | – |

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends.

[1] The major difference between economic risk capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position risk, operational risk and other risks.

[2] Includes primarily high-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to BIS look-through CET1 capital to enable comparison between economic risk capital and available economic capital under the Basel III framework.

[3] Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between available economic capital and economic risk capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain planned methodology changes.

[4] Ratio of available economic capital to economic risk capital.

### Available economic capital trends

As of the end of 2015, our available economic capital for the Group was CHF 49.5 billion, up CHF 3.8 billion from the end of 2014. BIS look-through CET1 capital increased CHF 4.4 billion, primarily due to the capital increases in the fourth quarter of 2015. Economic adjustments decreased CHF 0.6 billion, mainly due to reduced recognition of deferred tax assets and lower adjustments to unrealized gains on owned real estate.

## Economic risk capital by division

| in / end of | 2015 | 2014 | % change |
|---|---|---|---|
| **Economic risk capital by division (CHF million)** | | | |
| Swiss Universal Bank | 4,924 | 4,971 | (1) |
| International Wealth Management | 4,207 | 4,224 | 0 |
| Asia Pacific | 3,744 | 3,208 | 17 |
| Global Markets | 13,333 | 13,024 | 2 |
| Investment Banking & Capital Markets | 4,732 | 4,376 | 8 |
| Strategic Resolution Unit | 4,913 | 4,698 | 5 |
| Corporate Center [1] | 383 | 388 | (1) |
| **Economic risk capital – Group [2]** | **36,214** | **34,868** | 4 |
| **Economic risk capital – Bank [3]** | **35,853** | **34,501** | 4 |
| **Average economic risk capital by division (CHF million)** | | | |
| Swiss Universal Bank | 4,791 | 4,905 | (2) |
| International Wealth Management | 4,076 | 3,930 | 4 |
| Asia Pacific | 3,366 | 2,974 | 13 |
| Global Markets | 13,248 | 12,146 | 9 |
| Investment Banking & Capital Markets | 4,358 | 3,893 | 12 |
| Strategic Resolution Unit | 4,833 | 4,573 | 6 |
| Corporate Center [1] | 387 | 379 | 2 |
| **Average economic risk capital – Group [4]** | **35,038** | **32,778** | 7 |
| **Average economic risk capital – Bank [3]** | **34,673** | **32,421** | 7 |

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends. The calculation of divisional economic risk capital under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

[1] Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between available economic capital and economic risk capital.

[2] Includes a diversification benefit of CHF 22 million and CHF 21 million as of December 31, 2015 and 2014, respectively.

[3] The major difference between economic risk capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position risk, operational risk and other risks.

[4] Includes a diversification benefit of CHF 21 million and CHF 22 million as of December 31, 2015 and 2014, respectively.

### Economic risk capital trends

Over the course of 2015, our economic risk capital increased 4% to CHF 36.2 billion, mainly due to increased position risk and higher operational risk, partially offset by a net decrease in other risks. The increase in position risk primarily reflected higher private banking corporate & retail lending exposures, higher emerging markets country event risk, higher international lending & counterparty exposures, higher risk in fixed income trading and increased risk in equity trading & investments, partially offset by lower risk in real estate & structured assets. The decrease in other risks was mainly due to a reduction in credit concentration and expense risk model reserves and a decrease in risks not included in the position risk framework, partially offset by lower benefit from deferred share-based compensation awards.

For Swiss Universal Bank, economic risk capital decreased 1% to CHF 4.9 billion, mainly due to lower owned real estate risk and lower pension risk driven by the change in discount rates in the Swiss pension plan, partially offset by higher operational risk.

For International Wealth Management, economic risk capital was stable at CHF 4.2 billion, mainly reflecting lower risk in equity trading & investments and the reduction in pension risk driven by the change in discount rates in the Swiss pension plan, offset by higher private banking corporate & retail lending exposures and higher operational risk.

For Asia Pacific, economic risk capital increased 17% to CHF 3.7 billion, mainly due to higher private banking corporate & retail lending exposures and higher risk in fixed income trading, partially offset by a decrease in risks not included in the position risk framework.

For Global Markets, economic risk capital increased 2% to CHF 13.3 billion, primarily reflecting higher international lending & counterparty exposures, higher risk in fixed income trading, increased risk in equity trading & investments, decreased benefit from deferred share-based compensation awards, higher pension risk related to revised market data used for measuring US pension plan liabilities and higher operational risk. These increases were partially offset by lower risk in real estate & structured assets, a decrease in risks not included in the position risk framework and a reduction in expense risk model reserves.

For Investment Banking & Capital Markets, economic risk capital increased 8% to CHF 4.7 billion, mainly due to higher international lending & counterparty exposures, higher pension risk related to revised market data used for measuring US pension plan liabilities and decreased benefit from deferred share-based compensation awards, partially offset by a reduction in credit concentration risk model reserves.

For the Strategic Resolution Unit, economic risk capital increased 5% to CHF 4.9 billion, mainly due to increases in international lending & counterparty exposures and emerging markets country event risk that occurred prior to the announcement of our new strategy and the related formation of the Strategic Resolution Unit. These increases were partially offset by a decrease in risks not included in the position risk framework.

## Group position risk

| end of | 2015 | 2014 | % change |
|---|---|---|---|
| **Position risk (CHF million)** | | | |
| Fixed income trading [1] | 1,230 | 958 | 28 |
| Equity trading & investments | 1,872 | 1,680 | 11 |
| Private banking corporate & retail lending | 2,751 | 2,268 | 21 |
| International lending & counterparty exposures | 6,306 | 5,979 | 5 |
| Emerging markets country event risk | 1,544 | 1,141 | 35 |
| Real estate & structured assets [2] | 1,917 | 2,487 | (23) |
| **Simple sum across risk categories** | **15,620** | **14,513** | **8** |
| Diversification benefit [3] | (2,776) | (2,459) | 13 |
| **Position risk (99% confidence level for risk management purposes)** | **12,844** | **12,054** | **7** |
| **Position risk (99.97% confidence level for capital management purposes)** | **22,695** | **21,038** | **8** |

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends.
[1] This category comprises fixed income trading, foreign exchange and commodity exposures.
[2] This category comprises commercial and residential real estate (including RMBS and CMBS), ABS exposure, real estate acquired at auction and real estate fund investments.
[3] Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

### Key position risk trends

Compared to the end of 2014, position risk for risk management purposes increased 7% to CHF 12.8 billion, mainly due to higher private banking corporate & retail lending exposures in Asia, increased exposures in Latin America in emerging markets country event risk, new loan commitments in international lending & counterparty exposures, higher credit spread risk from loan-backed financing in the US and higher interest rate risk from derivatives in Europe in fixed income trading, and higher traded equity risk in equity trading & investments, primarily from US equity derivatives. These increases were partially offset by decreased risk in real estate & structured assets, mainly related to reduced CMBS and RMBS exposures.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

## Market risk review

### Trading book

#### Development of trading book risks

The tables entitled “One-day, 98% risk management VaR” show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR in Swiss francs and US dollars. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The different risk types are grouped into five categories including interest rate, credit spread, foreign exchange, commodities and equity.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 2015, we updated our VaR model to capture certain higher order risks in foreign exchange derivatives and we improved how we capture risk between government bonds and government bond futures. These risks were previously included in our risk not in VaR. We also enhanced our VaR model so that the dataset used to calculate VaR is updated on a weekly rather than a monthly basis. The more frequent updates to the VaR dataset make VaR more responsive to recent market events. Furthermore, we enhanced the capturing of interest rate movements under a negative interest rate environment.

## One-day, 98% risk management VaR (CHF)

| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversification benefit | Total |
|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | |
| Average | 20 | 36 | 11 | 2 | 23 | (43) | 49 |
| Minimum | 6 | 31 | 5 | 1 | 16 | –[1] | 34 |
| Maximum | 35 | 42 | 22 | 4 | 35 | –[1] | 63 |
| End of period | 17 | 40 | 9 | 1 | 31 | (42) | 56 |
| **2014 (CHF million)** | | | | | | | |
| Average | 12 | 32 | 9 | 2 | 18 | (31) | 42 |
| Minimum | 7 | 28 | 5 | 0 | 13 | –[1] | 35 |
| Maximum | 17 | 39 | 17 | 4 | 25 | –[1] | 56 |
| End of period | 9 | 39 | 7 | 1 | 20 | (29) | 47 |
| **2013 (CHF million)** | | | | | | | |
| Average | 18 | 35 | 9 | 2 | 16 | (40) | 40 |
| Minimum | 8 | 30 | 3 | 1 | 11 | –[1] | 33 |
| Maximum | 45 | 41 | 24 | 4 | 36 | –[1] | 55 |
| End of period | 10 | 32 | 6 | 3 | 24 | (30) | 45 |

Excludes risks associated with counterparty and own credit exposures.
[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

## Average one-day, 98% risk management VaR by division (CHF)

| in | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Strategic Resolution Unit | Diversification benefit[1] | Credit Suisse |
|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | |
| Total average VaR | 6 | 1 | 17 | 53 | 17 | (45) | 49 |
| **2014 (CHF million)** | | | | | | | |
| Total average VaR | 2 | 0 | 11 | 45 | 13 | (29) | 42 |
| **2013 (CHF million)** | | | | | | | |
| Total average VaR | 2 | 0 | 11 | 41 | 16 | (30) | 40 |

Excludes risks associated with counterparty and own credit exposures. Investment Banking & Capital Markets has only banking book positions. The calculation of divisional average risk management VaR under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.
[1] Difference between the sum of the standalone VaR for each division and the VaR for the Group.

We measure VaR in US dollars, as a majority of our trading activities are conducted in US dollars.

Average ○ risk management VaR in 2015 increased 11% from 2014 to USD 51 million. The increase was primarily driven by increased interest rate exposures related to a change in the Swiss franc interest rate risk profile and increased equity exposures driven by US and Asian derivatives exposures and higher market volatility. These increases were partially offset by increased diversification benefit.

For Global Markets, average risk management VaR in 2015 increased mainly driven by higher market volatility. For Asia Pacific, the increase in average risk management VaR was primarily driven by increased equity derivatives exposures and higher market volatility. For Swiss Universal Bank, the increase in average risk management VaR was mainly driven by increased interest rate exposures related to a change in the Swiss franc interest rate risk profile. For the Strategic Resolution Unit, higher average risk management VaR was primarily driven by higher exposures from foreign exchange options across currencies.

Period-end risk management VaR as of December 31, 2015 increased 21% to USD 57 million compared to December 31, 2014, mainly reflecting the increased interest rate and equity exposures, partially offset by increased diversification benefit.

## One-day, 98% risk management VaR (USD)

| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversification benefit | **Total** |
|---|---|---|---|---|---|---|---|
| **2015 (USD million)** | | | | | | | |
| Average | 20 | 37 | 11 | 2 | 24 | (43) | 51 |
| Minimum | 6 | 32 | 5 | 1 | 17 | –[1] | 40 |
| Maximum | 35 | 42 | 23 | 4 | 35 | –[1] | 64 |
| End of period | 17 | 40 | 9 | 1 | 32 | (42) | 57 |
| **2014 (USD million)** | | | | | | | |
| Average | 13 | 35 | 10 | 2 | 20 | (34) | 46 |
| Minimum | 7 | 31 | 6 | 0 | 15 | –[1] | 39 |
| Maximum | 19 | 41 | 19 | 5 | 27 | –[1] | 59 |
| End of period | 9 | 40 | 7 | 1 | 20 | (30) | 47 |
| **2013 (USD million)** | | | | | | | |
| Average | 19 | 38 | 10 | 2 | 17 | (43) | 43 |
| Minimum | 9 | 32 | 3 | 1 | 12 | –[1] | 34 |
| Maximum | 49 | 44 | 25 | 4 | 38 | –[1] | 58 |
| End of period | 11 | 36 | 7 | 3 | 27 | (33) | 51 |

Excludes risks associated with counterparty and own credit exposures.
[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

## Average one-day, 98% risk management VaR by division (USD)

| in | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Strategic Resolution Unit | Diversification benefit[1] | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | |
| Total average VaR | 6 | 1 | 17 | 55 | 17 | (45) | 51 |
| **2014 (CHF million)** | | | | | | | |
| Total average VaR | 2 | 0 | 13 | 50 | 14 | (33) | 46 |
| **2013 (CHF million)** | | | | | | | |
| Total average VaR | 3 | 0 | 12 | 44 | 17 | (33) | 43 |

Excludes risks associated with counterparty and own credit exposures. Investment Banking & Capital Markets has only banking book positions. The calculation of divisional average risk management VaR under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.
[1] Difference between the sum of the standalone VaR for each division and the VaR for the Group.

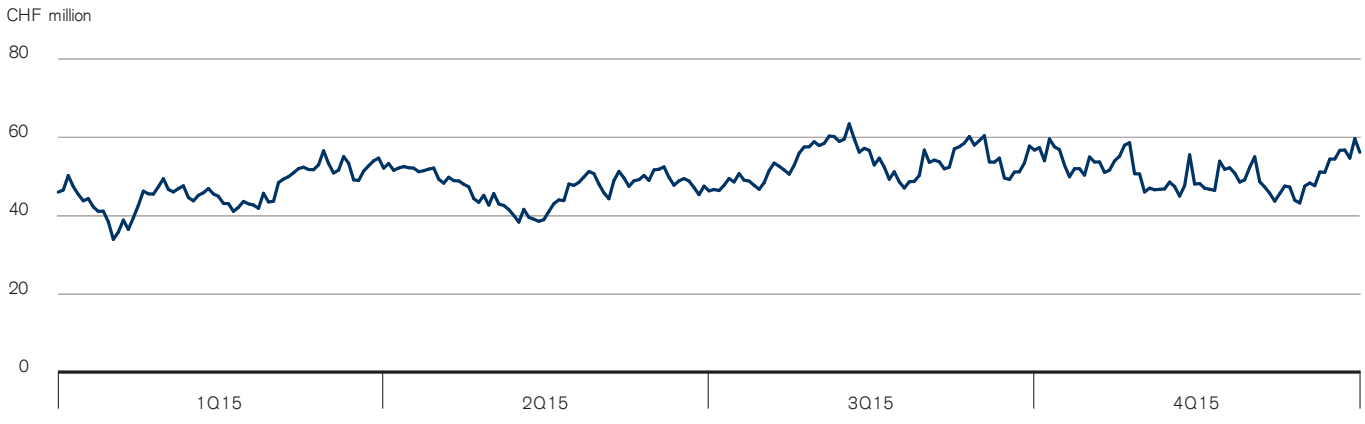
In the 12-month period ending December 31, 2015, we had one backtesting exception in our regulatory VaR model. In the 12-month periods ending December 31, 2014 and 2013, we had no backtesting exceptions in our regulatory VaR model. Since there were fewer than five backtesting exceptions in the rolling 12-month periods ending December 31, 2015, 2014 and 2013, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

▸ Refer to "Regulatory capital framework" in Capital management for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

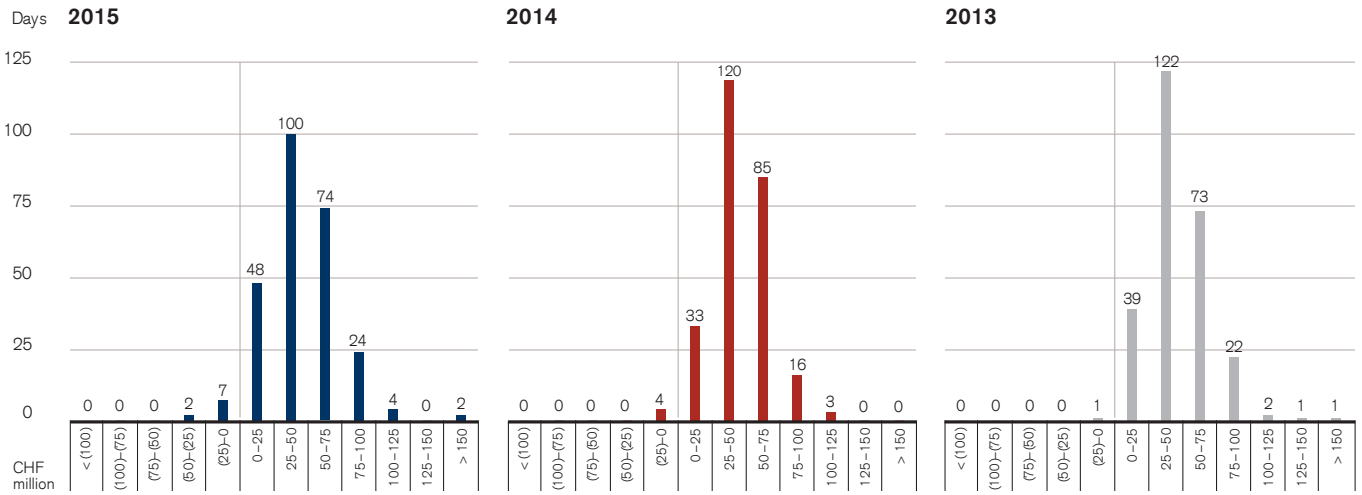
The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 2015 with those for 2014 and 2013. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 2015, we had nine trading loss days, seven of them with a trading loss not exceeding CHF 25 million, compared to four trading loss days in 2014, each of them with a trading loss not exceeding CHF 25 million.

## Daily risk management VaR




Excludes risks associated with counterparty and own credit exposures.

## Actual daily trading revenues




Excludes Neue Aargauer Bank.
Trading revenues do not include valuation adjustments associated with counterparty and own credit exposures.

### Banking book

#### Development of banking book interest rate risks

Interest rate risk on banking book positions is measured by estimating the impact resulting from a one basis point parallel increase in yield curves on the ◔ fair value of interest rate-sensitive banking book positions. The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions would have been an increase of CHF 3.3 million as of December 31, 2015, compared to an increase of CHF 4.6 million as of December 31, 2014. The decrease from 2014 was primarily due to an overall risk reduction in the portfolio of the treasury function, mainly reflecting new money market hedges and the ageing of capital instruments. The decrease in the portfolio of the treasury function was partially offset by increased interest rate sensitivity from changes in securitized loans and the retail banking portfolio across the divisions.

## One basis point parallel increase in yield curves by currency – banking book positions

| end of | CHF | USD | EUR | GBP | Other | **Total** |
|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | |
| Fair value impact of a one basis point parallel increase in yield curves | (1.3) | 3.2 | 0.7 | 0.0 | 0.7 | 3.3 |
| **2014 (CHF million)** | | | | | | |
| Fair value impact of a one basis point parallel increase in yield curves | (2.4) | 4.6 | 1.9 | (0.1) | 0.6 | 4.6 |

Interest rate risk on banking book positions is also assessed using other measures including the potential value change resulting from a significant change in yield curves. The following table shows the impact of immediate 100 basis point and 200 basis point moves in the yield curves. In 2015, we revised the calculation method by removing the cap on downward changes and now apply the full -100 basis point and -200 basis point moves in the yield curves. We have restated prior-period balances for this change in the calculation method. The net impact of this change on the -200 basis point move in total sensitivity was an increase of CHF 175 million as of December 31, 2014.

## Interest rate sensitivity – banking book positions

| end of | CHF | USD | EUR | GBP | Other | **Total** |
|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | |
| Increase (+)/decrease (–) in interest rates | | | | | | |
| +200 basis points | (241) | 599 | 110 | 18 | 128 | 614 |
| +100 basis points | (124) | 309 | 58 | 5 | 65 | 313 |
| –100 basis points | 130 | (327) | (64) | 3 | (69) | (327) |
| –200 basis points | 266 | (674) | (133) | 13 | (138) | (666) |
| **2014 (CHF million)** | | | | | | |
| Increase (+)/decrease (–) in interest rates | | | | | | |
| +200 basis points | (431) | 906 | 380 | (181) | 112 | 786 |
| +100 basis points | (239) | 457 | 189 | (49) | 57 | 415 |
| –100 basis points | 264 | (466) | (193) | (35) | (60) | (490) |
| –200 basis points | 542 | (943) | (396) | (152) | (121) | (1,070) |

Prior-period balances have been restated for a change in the calculation method in order to show meaningful trends.

As of December 31, 2015, the fair value impact of an adverse 200 basis point move in yield curves was a loss of CHF 0.7 billion compared to a loss of CHF 1.1 billion as of December 31, 2014. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2015 and 2014, the fair value impact of an adverse 200 basis point move in yield curves and adverse interest rate moves, calibrated to a one-year holding period at a 99% confidence level in relation to the total eligible regulatory capital, was significantly below the 20% threshold used by regulators to identify banks that potentially run excessive levels of interest rate risk in the banking book.

### Development of banking book equity risks

Our equity portfolios of the banking book include positions in private equity, hedge funds, strategic investments and other instruments. These positions may not be strongly correlated with general equity markets. Equity risk on banking book positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would have been a decrease of CHF 464 million in the value of the banking book portfolio as of December 31, 2015, compared to a decrease of CHF 498 million as of December 31, 2014.

### Development of banking book commodity risks

Our commodity portfolios of the banking book include mainly precious metals such as gold, platinum and silver. Commodity risk on banking book positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would have been a decrease of CHF 0.1 million and CHF 0.2 million in the value of the banking book portfolio as of December 31, 2015 and 2014, respectively.

### Credit and debit valuation adjustments

VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products. As of December 31, 2015, the estimated sensitivity implies that a one basis point increase in credit spreads, both counterparty and our own, would

have resulted in a CHF 1.1 million gain on the overall derivatives position in the investment banking businesses. In addition, a one basis point increase in our own credit spread on our fair valued structured notes portfolio (including the impact of hedges) would have resulted in a CHF 16.9 million gain as of December 31, 2015.

## Credit risk review

### Credit risk overview

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management. For regulatory capital purposes, credit risk comprises several regulatory categories where credit risk measurement and related regulatory capital requirements are subject to different measurement approaches under the Basel framework. The majority of our credit risk exposure is included in the regulatory category "credit risk by asset class". Other regulatory credit risk categories include credit valuation adjustment risk, securitization risk in the banking book and equity type securities in the banking book. Further details on these regulatory credit risk categories are available in our disclosures required under Pillar 3 of the Basel framework related to risk, which is available on our website at *www.credit-suisse.com/pillar3*.

### Credit risk by asset class – gross credit exposure

For regulatory purposes, we categorize our exposures into asset classes with different underlying risk characteristics such as type of counterparty, size of exposure and type of collateral. This asset class categorization is driven by the Basel framework.

The following table presents the description of credit risk by asset class under the Basel framework (grouped as either institutional or retail) and the related regulatory measurement approaches applied.

## Credit risk – asset classes

| Asset class | Description | Regulatory measurement approaches |
|---|---|---|
| **Institutional credit risk** | | |
| Sovereigns | Exposures to central governments, central banks, BIS, the International Monetary Fund, the European Central Bank and eligible Multilateral Development Banks (MDB). | PD/LGD for most portfolios<br>Standardized for banking book treasury liquidity positions and other assets |
| Other institutions | Exposures to public bodies with the right to raise taxes or whose liabilities are guaranteed by a public sector entity. | PD/LGD for most portfolios<br>Standardized for banking book treasury liquidity positions and other assets |
| Banks | Exposures to banks, securities firms, stock exchanges and those MDB that do not qualify for sovereign treatment. | PD/LGD for most portfolios<br>Supervisory risk weights for unsettled trades<br>Standardized for banking book treasury liquidity positions and other assets |
| Corporates | Exposures to corporations (except small businesses) and public sector entities with no right to raise taxes and whose liabilities are not guaranteed by a public entity. The Corporate asset class also includes specialized lending, in which the lender looks primarily to a single source of revenues to cover the repayment obligations and where only the financed asset serves as security for the exposure (e.g., income-producing real estate or commodities finance). | PD/LGD for most portfolios<br>Supervisory risk weights for investment banking specialized lending exposures<br>Standardized for banking book treasury liquidity positions and other assets |
| **Retail credit risk** | | |
| Residential mortgages | Includes exposures secured by residential real estate collateral occupied or let by the borrower. | PD/LGD |
| Qualifying revolving retail | Includes credit card receivables and overdrafts. | PD/LGD |
| Other retail | Includes loans collateralized by securities, consumer loans, leasing and small business exposures. | PD/LGD<br>Standardized for other assets |
| **Other credit risk** | | |
| Other exposures | Includes exposures with insufficient information to treat under the A-IRB approach or to allocate under the standardized approach into any other asset class. | Standardized |

The following table presents our gross credit exposure for "credit risk by asset class", our most significant regulatory credit risk category under the Basel framework, broken down by major types of exposure.

## Gross credit exposures by type

| end of | 2015 | 2014 |
|---|---|---|
| **Gross credit exposure (CHF million)** | | |
| Loans, deposits with banks and other assets [1] | 376,594 | 361,177 |
| Guarantees and commitments | 69,432 | 61,297 |
| Securities financing transactions | 31,046 | 35,131 |
| Derivatives | 53,735 | 63,968 |
| **Total gross credit exposure** | **530,807** | **521,573** |
| of which measured under the PD/LGD approach | 503,065 | 502,228 |

[1] Includes interest bearing deposits with banks, banking book loans, available-for-sale debt securities and other receivables.

For the regulatory credit risk category "credit risk by asset class" under the Basel framework, the following table presents gross credit exposure for portfolios that are measured under the regulatory ◦ PD/◦ LGD approach.

## Gross credit exposure by asset class – portfolios measured under the PD/LGD approach

| end of | 2015 | 2014 |
|---|---|---|
| **Gross credit exposure (CHF million)** [1] | | |
| Sovereigns | 88,206 | 77,037 |
| Other institutions | 1,752 | 2,381 |
| Banks | 35,579 | 38,062 |
| Corporates | 195,117 | 204,277 |
| **Total institutional** | **320,654** | **321,757** |
| Residential mortgage | 102,020 | 101,350 |
| Qualifying revolving retail | 876 | 672 |
| Other retail | 79,515 | 78,449 |
| **Total retail** | **182,411** | **180,471** |
| **Total gross credit exposure** | **503,065** | **502,228** |

[1] Gross credit exposures are shown post-substitution as, in certain circumstances, credit risk mitigation is reflected by shifting the counterparty exposure from the underlying obligor to the protection provider.

The following tables presents the credit quality of institutional and retail credit portfolios that are measured under the PD/LGD approach.

## Institutional credit exposure by counterparty rating under the PD/LGD approach

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Total exposure (CHF million) | Exposure-weighted average LGD (%) | Undrawn commitments (CHF million) | Total exposure (CHF million) | Exposure-weighted average LGD (%) | Undrawn commitments (CHF million) |
| **Sovereigns** | | | | | | |
| AAA | 46,768 | 3.22 | 22 | 33,353 | 5.56 | 21 |
| AA | 33,718 | 6.33 | 221 | 36,154 | 6.36 | 137 |
| A | 3,063 | 10.84 | – | 1,185 | 38.52 | – |
| BBB | 3,065 | 41.51 | – | 5,349 | 44.82 | 2 |
| BB | 1,257 | 48.79 | – | 711 | 26.91 | – |
| B or lower | 335 | 41.40 | 2 | 281 | 42.48 | – |
| Default (net of specific provisions) | – | – | – | 4 | – | – |
| **Total credit exposure** | **88,206** | – | **245** | **77,037** | – | **160** |
| **Other institutions** | | | | | | |
| AAA | – | – | – | – | – | – |
| AA | 973 | 44.02 | 204 | 1,538 | 45.21 | 227 |
| A | 259 | 42.50 | 44 | 174 | 40.42 | 39 |
| BBB | 482 | 44.86 | 96 | 536 | 43.41 | 101 |
| BB | 5 | 42.28 | – | 47 | 43.73 | 6 |
| B or lower | 33 | 12.19 | 4 | 86 | 27.37 | 4 |
| Default (net of specific provisions) | 0 | – | – | – | – | – |
| **Total credit exposure** | **1,752** | – | **348** | **2,381** | – | **377** |
| **Banks** | | | | | | |
| AAA | – | – | – | – | – | – |
| AA | 7,543 | 51.68 | 761 | 7,577 | 51.00 | 930 |
| A | 19,850 | 53.16 | 2,578 | 20,779 | 51.76 | 2,599 |
| BBB | 5,079 | 46.30 | 312 | 6,603 | 45.39 | 278 |
| BB | 2,641 | 51.47 | 50 | 2,364 | 49.70 | 74 |
| B or lower | 397 | 50.94 | 19 | 587 | 40.17 | 46 |
| Default (net of specific provisions) | 69 | – | 11 | 152 | – | – |
| **Total credit exposure** | **35,579** | – | **3,731** | **38,062** | – | **3,927** |
| **Corporates** | | | | | | |
| AAA | – | – | – | – | – | – |
| AA | 39,447 | 46.01 | 7,993 | 46,771 | 48.29 | 8,522 |
| A | 38,437 | 46.28 | 11,804 | 46,692 | 38.79 | 10,783 |
| BBB | 49,490 | 37.12 | 12,196 | 49,069 | 35.93 | 10,280 |
| BB | 48,931 | 32.73 | 10,620 | 43,584 | 33.60 | 6,515 |
| B or lower | 17,015 | 27.17 | 5,625 | 17,312 | 30.47 | 6,181 |
| Default (net of specific provisions) | 1,797 | – | 81 | 849 | – | 20 |
| **Total credit exposure** | **195,117** | – | **48,319** | **204,277** | – | **42,301** |
| **Total institutional credit exposure** | **320,654** | – | **52,643** | **321,757** | – | **46,765** |

## Retail credit exposure by expected loss band under the PD/LGD approach

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Total exposure (CHF million) | Exposure-weighted average LGD (%) | Undrawn commitments (CHF million) | Total exposure (CHF million) | Exposure-weighted average LGD (%) | Undrawn commitments (CHF million) |
| **Residential mortgages** | | | | | | |
| 0.00%–0.15% | 96,708 | 15.30 | 1,222 | 95,468 | 15.74 | 1,298 |
| 0.15%–0.30% | 3,232 | 23.28 | 77 | 3,695 | 28.75 | 102 |
| 0.30%–1.00% | 1,728 | 23.56 | 15 | 1,820 | 28.97 | 26 |
| 1.00% and above | 129 | 22.45 | – | 148 | 24.98 | – |
| Defaulted (net of specific provisions) | 223 | – | 3 | 219 | – | 1 |
| **Total credit exposure** | **102,020** | – | **1,317** | **101,350** | – | **1,427** |
| **Qualifying revolving retail** | | | | | | |
| 0.00%–0.15% | – | – | – | – | – | – |
| 0.15%–0.30% | – | – | – | – | – | – |
| 0.30%–1.00% | 769 | 50.00 | – | 491 | 50.00 | – |
| 1.00% and above | 106 | 20.00 | – | 180 | 20.00 | – |
| Defaulted (net of specific provisions) | 1 | – | – | 1 | – | – |
| **Total credit exposure** | **876** | – | **–** | **672** | – | **–** |
| **Other retail** | | | | | | |
| 0.00%–0.15% | 68,647 | 55.15 | 1,239 | 72,559 | 53.58 | 1,192 |
| 0.15%–0.30% | 2,271 | 62.87 | 45 | 924 | 60.79 | 73 |
| 0.30%–1.00% | 3,786 | 46.27 | 90 | 2,406 | 44.30 | 73 |
| 1.00% and above | 4,444 | 57.99 | 45 | 2,407 | 46.39 | 48 |
| Defaulted (net of specific provisions) | 367 | – | 2 | 153 | – | 3 |
| **Total credit exposure** | **79,515** | – | **1,421** | **78,449** | – | **1,389** |
| **Total retail credit exposure** | **182,411** | – | **2,738** | **180,471** | – | **2,816** |

### Loans and irrevocable loan commitments

The following table provides an overview of loans and irrevocable loan commitments by division in accordance with generally accepted accounting standards in the US and are not comparable with the regulatory credit risk exposures presented in the tables above.

## Loans and irrevocable loan commitments

| end of | 2015 | 2014 | % change |
|---|---|---|---|
| **Loans and irrevocable loan commitments (CHF million)** | | | |
| Gross loans | 274,006 | 273,421 | 0 |
| Irrevocable loan commitments | 137,653 | 120,290 | 14 |
| **Total loans and irrevocable loan commitments** | **411,659** | **393,711** | 5 |
| of which Swiss Universal Bank | 173,317 | 173,798 | 0 |
| of which International Wealth Management | 43,592 | 42,291 | 3 |
| of which Asia Pacific | 39,101 | 35,558 | 10 |
| of which Global Markets | 66,721 | 51,722 | 29 |
| of which Investment Banking & Capital Markets | 72,529 | 71,852 | 1 |
| of which Strategic Resolution Unit | 16,399 | 18,490 | (11) |

### Loans held-for-sale and traded loans

As of December 31, 2015 and 2014, loans held-for-sale included CHF 258 million and CHF 343 million, respectively, of US subprime residential mortgages from consolidated variable interest entities (VIE) and CHF 91 million and CHF 1,282 million, respectively, of low-grade European residential mortgages from consolidated VIEs. Traded loans included US subprime residential mortgages of CHF 1,118 million and CHF 1,299 million as of December 31, 2015 and 2014, respectively.

### Loans

The following table provides an overview of our loans by loan classes, impaired loans, the related allowance for loan losses and selected loan metrics by business division. The carrying values of loans and related allowance for loan losses are presented in accordance with generally accepted accounting standards in the US and are not comparable with the regulatory credit risk exposures presented above.

## Loans

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | |
| Mortgages | 97,529 | 3,994 | 1,039 | 0 | 0 | 602 | 103,164 |
| Loans collateralized by securities | 7,775 | 16,762 | 11,167 | 0 | 554 | 1,688 | 37,946 |
| Consumer finance | 2,971 | 433 | 29 | 28 | 1 | 304 | 3,766 |
| Consumer | 108,275 | 21,189 | 12,235 | 28 | 555 | 2,594 | 144,876 |
| Real estate | 23,510 | 858 | 329 | 385 | 779 | 590 | 26,451 |
| Commercial and industrial loans | 27,670 | 16,262 | 21,189 | 2,597 | 6,979 | 3,070 | 77,767 |
| Financial institutions | 4,097 | 1,279 | 1,654 | 9,743 | 1,835 | 2,726 | 21,334 |
| Governments and public institutions | 842 | 63 | 593 | 694 | 0 | 1,386 | 3,578 |
| Corporate & institutional | 56,119 [1] | 18,462 [2] | 23,765 | 13,419 | 9,593 | 7,772 | 129,130 |
| **Gross loans** | **164,394** | **39,651** | **36,000** | **13,447** | **10,148** | **10,366** | **274,006** |
| of which held at fair value | 81 | 202 | 4,724 | 5,237 | 4,832 | 5,744 | 20,820 |
| Net (unearned income) / deferred expenses | 0 | (78) | (26) | (29) | (12) | 0 | (145) |
| Allowance for loan losses [3] | (482) | (109) | (61) | (33) | (29) | (152) | (866) |
| **Net loans** | **163,912** | **39,464** | **35,913** | **13,385** | **10,107** | **10,214** | **272,995** |
| **2014 (CHF million)** | | | | | | | |
| Mortgages | 93,499 | 3,571 | 849 | 0 | 0 | 883 | 98,802 |
| Loans collateralized by securities | 7,842 | 17,654 | 10,485 | 0 | 701 | 3,136 | 39,818 |
| Consumer finance | 3,406 | 433 | 20 | 39 | 0 | 425 | 4,323 |
| Consumer | 104,747 | 21,658 | 11,354 | 39 | 701 | 4,444 | 142,943 |
| Real estate | 25,497 | 803 | 423 | 677 | 685 | 1,113 | 29,198 |
| Commercial and industrial loans | 27,928 | 14,747 | 18,861 | 2,106 | 6,708 | 4,696 | 75,046 |
| Financial institutions | 6,053 | 1,546 | 2,050 | 8,437 | 1,415 | 2,842 | 22,343 |
| Governments and public institutions | 1,031 | 100 | 312 | 581 | 247 | 1,620 | 3,891 |
| Corporate & institutional | 60,509 [1] | 17,196 [2] | 21,646 | 11,801 | 9,055 | 10,271 | 130,478 |
| **Gross loans** | **165,256** | **38,854** | **33,000** | **11,840** | **9,756** | **14,715** | **273,421** |
| of which held at fair value | 202 | 206 | 4,609 | 7,010 | 4,859 | 6,027 | 22,913 |
| Net (unearned income) / deferred expenses | 22 | (91) | (27) | (7) | (8) | (1) | (112) |
| Allowance for loan losses [3] | (523) | (61) | (21) | (34) | (25) | (94) | (758) |
| **Net loans** | **164,755** | **38,702** | **32,952** | **11,799** | **9,723** | **14,620** | **272,551** |

[1] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 44,007 million and CHF 45,358 million as of December 31, 2015 and 2014, respectively.

[2] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 15,763 million and CHF 14,766 million as of December 31, 2015 and 2014, respectively.

[3] Allowance for loan losses are only based on loans which are not carried at fair value.

Compared to December 31, 2014, gross loans were stable at CHF 274.0 billion, as higher residential mortgages and commercial and industrial loans were offset by lower loans to the real estate sector, loans collateralized by securities and loans to financial institutions. The net increase of CHF 4.4 billion in residential mortgages was largely driven by higher lending in Swiss Universal Bank. Commercial and industrial loans increased CHF 2.7 billion primarily in Asia Pacific and International Wealth Management, partially offset by a decrease in the Strategic Resolution Unit. Loans to the real estate sector decreased CHF 2.7 billion, driven by decreases in Swiss Universal Bank and the Strategic Resolution Unit. A net decrease of CHF 1.9 billion in loans collateralized by securities was mainly driven by decreases in the Strategic Resolution Unit and International Wealth Management, partially offset by increased lending in Asia Pacific. Loans to financial institutions decreased CHF 1.0 billion, primarily reflecting a decrease in Swiss Universal Bank, partially offset by an increase in Global Markets. The euro translation impact on gross loans was slightly negative, mainly in our private banking, corporate and institutional businesses based in Switzerland and Europe. On a divisional level, increases in gross loans of CHF 3.0 billion and CHF 1.6 billion in Asia Pacific and Global Markets, respectively, were largely offset by a decrease of CHF 4.3 billion in the Strategic Resolution Unit. All other divisions were stable compared to December 31, 2014.

▸ Refer to "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group.

As of December 31, 2015, 97% of the aggregate Swiss residential mortgage loan portfolio of CHF 102.3 billion had an LTV ratio equal or lower than 80%. As of December 31, 2014, 96% of the corresponding loan portfolio of CHF 99.6 billion had an LTV ratio equal or lower than 80%. For substantially all Swiss residential mortgage loans originated in 2015 and 2014, the average LTV ratio was equal or lower than 80% at origination. Our LTV ratios are based on the most recent appraised value of the collateral.

## Impaired loans

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | |
| Non-performing loans | 414 | 92 | 207 | 55 | 87 | 128 | 983 |
| Non-interest-earning loans | 201 | 33 | 3 | 0 | 0 | 35 | 272 |
| Total non-performing and non-interest-earning loans | 615 | 125 | 210 | 55 | 87 | 163 | 1,255 |
| Restructured loans | 50 | 59 | 10 | 0 | 11 | 152 | 282 |
| Potential problem loans | 155 | 125 | 23 | 9 | 30 | 94 | 436 |
| Total other impaired loans | 205 | 184 | 33 | 9 | 41 | 246 | 718 |
| **Gross impaired loans** [1] | **820** | **309** | **243** | **64** | **128** | **409** | **1,973** |
| of which loans with a specific allowance | 753 | 206 | 241 | 64 | 21 | 325 | 1,610 |
| of which loans without a specific allowance | 67 | 103 | 2 | 0 | 107 | 84 | 363 |
| **2014 (CHF million)** | | | | | | | |
| Non-performing loans | 446 | 83 | 11 | 66 | 0 | 147 | 753 |
| Non-interest-earning loans | 227 | 27 | 1 | 0 | 0 | 24 | 279 |
| Total non-performing and non-interest-earning loans | 673 | 110 | 12 | 66 | 0 | 171 | 1,032 |
| Restructured loans | 33 | 1 | 1 | 0 | 3 | 133 | 171 |
| Potential problem loans | 104 | 29 | 7 | 9 | 0 | 38 | 187 |
| Total other impaired loans | 137 | 30 | 8 | 9 | 3 | 171 | 358 |
| **Gross impaired loans** [1] | **810** | **140** | **20** | **75** | **3** | **342** | **1,390** |
| of which loans with a specific allowance | 762 | 102 | 20 | 69 | 3 | 341 | 1,297 |
| of which loans without a specific allowance | 48 | 38 | 0 | 6 | 0 | 1 | 93 |

[1] Impaired loans are only based on loans which are not carried at fair value.

### Impaired loans and allowance for loan losses

Compared to December 31, 2014, gross impaired loans increased CHF 0.6 billion to CHF 2.0 billion as of December 31, 2015, mainly driven by new potential problem loans, primarily in International Wealth Management, Swiss Universal Bank and the Strategic Resolution Unit and higher non-performing loans in Asia Pacific and Investment Banking & Capital Markets. These increases were partially offset by repayments, upgrades to performing loans, write-offs and the restructuring of non-performing and non-interest earning loans.

On a divisional level, the increase in gross impaired loans compared to December 31, 2014 was primarily driven by Asia Pacific, International Wealth Management and Investment Banking & Capital Markets. The increase in Asia Pacific reflected the weakness

in Asian economies with share-backed loans adversely impacted as equity market volatility increased and stock prices dropped. In International Wealth Management, higher impaired loans were mainly related to new individual cases in ship finance and financial services. In Investment Banking & Capital Markets, higher impaired loans reflected the continuing decline of oil and natural gas prices during 2015, which caused borrowers in these industries to experience declines in revenue, hindering their ability to repay loans.

▸ Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 19 – Loans, allowance for loan losses and credit quality for information on categories of impaired loans.

## Allowance for loan losses

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | |
| **Allowance for loan losses at beginning of period** [1] | **523** | **61** | **21** | **34** | **25** | **94** | **758** |
| Net movements recognized in statements of operations | 111 | 51 | 34 | (3) | 2 | 100 | 295 |
| Gross write-offs | (169) | (5) | (1) | (1) | (2) | (51) | (229) |
| Recoveries | 16 | 2 | 1 | 3 | 3 | 3 | 28 |
| Net write-offs | (153) | (3) | 0 | 2 | 1 | (48) | (201) |
| Provisions for interest | 3 | 1 | 5 | 0 | 1 | 8 | 18 |
| Foreign currency translation impact and other adjustments, net | (2) | (1) | 1 | 0 | 0 | (2) | (4) |
| **Allowance for loan losses at end of period** [1] | **482** | **109** | **61** | **33** | **29** | **152** | **866** |
| of which individually evaluated for impairment | 349 | 77 | 49 | 21 | 7 | 147 | 650 |
| of which collectively evaluated for impairment | 133 | 32 | 12 | 12 | 22 | 5 | 216 |
| **2014 (CHF million)** | | | | | | | |
| **Allowance for loan losses at beginning of period** [1] | **551** | **54** | **64** | **50** | **18** | **132** | **869** |
| Net movements recognized in statements of operations | 100 | 12 | 9 | (5) | 1 | 28 | 145 |
| Gross write-offs | (152) | (8) | (64) | (19) | (1) | (105) | (349) |
| Recoveries | 15 | 1 | 0 | 3 | 2 | 20 | 41 |
| Net write-offs | (137) | (7) | (64) | (16) | 1 | (85) | (308) |
| Provisions for interest | (3) | 1 | 10 | 0 | 1 | 11 | 20 |
| Foreign currency translation impact and other adjustments, net | 12 | 1 | 2 | 5 | 4 | 8 | 32 |
| **Allowance for loan losses at end of period** [1] | **523** | **61** | **21** | **34** | **25** | **94** | **758** |
| of which individually evaluated for impairment | 388 | 32 | 7 | 20 | 1 | 92 | 540 |
| of which collectively evaluated for impairment | 135 | 29 | 14 | 14 | 24 | 2 | 218 |

[1] Allowance for loan losses are only based on loans which are not carried at fair value.

The following tables provide an overview of changes in impaired loans and related allowance for loan losses by loan portfolio segment for 2015 and 2014.

## Gross impaired loans by loan portfolio segment

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Gross impaired loans (CHF million)** | | | | | | |
| **Balance at beginning of period** | **582** | **808** | **1,390** | **569** | **920** | **1,489** |
| New impaired loans | 493 | 1,093 | 1,586 | 359 | 331 | 690 |
| Increase in existing impaired loans | 21 | 41 | 62 | 32 | 69 | 101 |
| Reclassifications to performing loans | (167) | (127) | (294) | (93) | (4) | (97) |
| Repayments [1] | (79) | (317) | (396) | (170) | (224) | (394) |
| Liquidation of collateral, insurance or guarantee payments | (86) | (46) | (132) | (37) | (85) | (122) |
| Sales [2] | 0 | (4) | (4) | (11) | (3) | (14) |
| Write-offs | (113) | (111) | (224) | (81) | (238) | (319) |
| Foreign currency translation impact and other adjustments, net | (4) | (11) | (15) | 14 | 42 | 56 |
| **Balance at end of period** | **647** | **1,326** | **1,973** | **582** | **808** | **1,390** |

[1] Full or partial principal repayments.
[2] Includes transfers to loans held-for-sale for intended sales of held-to-maturity loans.

## Allowance for loan losses by loan portfolio segment

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | |
| **Balance at beginning of period** | **251** | **507** | **758** | **267** | **602** | **869** |
| Net movements recognized in statements of operations | 66 | 229 | 295 | 66 | 79 | 145 |
| Gross write-offs | (118) | (111) | (229) | (108) | (241) | (349) |
| Recoveries | 12 | 16 | 28 | 17 | 24 | 41 |
| Net write-offs | (106) | (95) | (201) | (91) | (217) | (308) |
| Provisions for interest | 6 | 12 | 18 | 1 | 19 | 20 |
| Foreign currency translation impact and other adjustments, net | (1) | (3) | (4) | 8 | 24 | 32 |
| **Balance at end of period** | **216** | **650** | **866** | **251** | **507** | **758** |
| of which individually evaluated for impairment | 170 | 480 | 650 | 202 | 338 | 540 |
| of which collectively evaluated for impairment | 46 | 170 | 216 | 49 | 169 | 218 |

## Loan metrics

| end of | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse** |
|---|---|---|---|---|---|---|---|
| **2015 (%)** | | | | | | | |
| Total non-performing and non-interest-earning loans / Gross loans [1] | 0.4 | 0.3 | 0.7 | 0.7 | 1.6 | 3.5 | 0.5 |
| Gross impaired loans / Gross loans [1] | 0.5 | 0.8 | 0.8 | 0.8 | 2.4 | 8.8 | 0.8 |
| Allowance for loan losses / Gross loans [1, 2] | 0.3 | 0.3 | 0.2 | 0.4 | 0.5 | 3.3 | 0.3 |
| Specific allowance for loan losses / Gross impaired loans [1, 2] | 42.6 | 24.9 | 20.2 | 32.8 | 5.5 | 35.9 | 32.9 |
| **2014 (%)** | | | | | | | |
| Total non-performing and non-interest-earning loans / Gross loans [1] | 0.4 | 0.3 | 0.0 | 1.4 | 0.0 | 2.0 | 0.4 |
| Gross impaired loans / Gross loans [1] | 0.5 | 0.4 | 0.1 | 1.6 | 0.1 | 3.9 | 0.6 |
| Allowance for loan losses / Gross loans [1, 2] | 0.3 | 0.2 | 0.1 | 0.7 | 0.5 | 1.1 | 0.3 |
| Specific allowance for loan losses / Gross impaired loans [1, 2] | 47.9 | 22.9 | 35.0 | 26.7 | 33.3 | 26.9 | 38.8 |

[1] Excludes loans carried at fair value.
[2] Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.

### Provision for credit losses

Net provision for credit losses charged to the consolidated statements of operations in 2015 was CHF 324 million, of which CHF 138 million was reported by Swiss Universal Bank, CHF 132 million by the Strategic Resolution Unit and CHF 35 million by Asia Pacific. The overall net increase in provision for credit losses of CHF 138 million from CHF 186 million in 2014 was mainly related to increases of CHF 99 million in the Strategic Resolution Unit and CHF 44 million in Swiss Universal Bank.

### Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and credit default swaps (CDS), interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. Positive replacement values (PRV) constitute an asset, while negative replacement values (NRV) constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

The following table illustrates how credit risk on derivatives receivables is reduced by the use of legally enforceable netting agreements and collateral agreements. Netting agreements allow us to net balances from derivative assets and liabilities transacted with the same counterparty when the netting agreements are legally enforceable. Replacement values are disclosed net of such agreements in the consolidated balance sheets. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us. The carrying values of derivatives are presented in accordance with generally accepted accounting standards in the US and are not comparable with the derivatives metrics presented in the regulatory credit risk exposure table “Credit risk by asset class – gross credit exposures by type”.

## Derivative instruments by maturity

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| due within | Less than 1 year | 1 to 5 years | More than 5 years | **Positive replacement value** | Less than 1 year | 1 to 5 years | More than 5 years | **Positive replacement value** |
| **Derivative instruments (CHF billion)** | | | | | | | | |
| Interest rate products | 15.0 | 60.7 | 94.1 | 169.8 | 30.1 | 132.0 | 310.6 | 472.7 |
| Foreign exchange products | 30.6 | 18.9 | 10.4 | 59.9 | 52.6 | 24.8 | 12.0 | 89.4 |
| Equity/index-related products | 6.6 | 5.6 | 1.3 | 13.5 | 9.2 | 6.7 | 1.8 | 17.7 |
| Credit derivatives | 2.7 | 12.4 | 2.7 | 17.8 | 2.3 | 21.3 | 3.4 | 27.0 |
| Other products [1] | 0.8 | 0.9 | 1.4 | 3.1 | 4.0 | 3.6 | 1.7 | 9.3 |
| **OTC derivative instruments** | **55.7** | **98.5** | **109.9** | **264.1** | **98.2** | **188.4** | **329.5** | **616.1** |
| Exchange-traded derivative instruments | | | | 9.6 | | | | 13.4 |
| Netting agreements [2] | | | | (245.1) | | | | (590.0) |
| **Total derivative instruments** | | | | **28.6** | | | | **39.5** |
| of which recorded in trading assets | | | | 28.4 | | | | 38.0 |
| of which recorded in other assets | | | | 0.2 | | | | 1.5 |

[1] Primarily precious metals, commodity, energy and emission products.
[2] Taking into account legally enforceable netting agreements.

Derivative transactions exposed to credit risk are subject to a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. The following table represents the rating split of our credit exposure from derivative instruments.

## Derivative instruments by counterparty credit rating

| end of | **2015** | 2014 |
|---|---|---|
| **Derivative instruments (CHF billion)** | | |
| AAA | 1.7 | 2.5 |
| AA | 6.4 | 9.1 |
| A | 7.5 | 9.2 |
| BBB | 8.8 | 11.8 |
| BB or lower | 3.6 | 5.1 |
| **OTC derivative instruments** | **28.0** | **37.7** |
| Exchange-traded derivative instruments [1] | 0.6 | 1.8 |
| **Total derivative instruments [1]** | **28.6** | **39.5** |

[1] Taking into account legally enforceable netting agreements.

Derivative instruments by maturity and by counterparty credit rating for the Bank are not materially different, neither in absolute amounts nor in terms of movements, from the information for the Group presented above.

Derivative instruments are categorized as exposures from trading activities (trading) and those qualifying for hedge accounting (hedging). Trading includes activities relating to market making, positioning and arbitrage. It also includes economic hedges where the Group enters into derivative contracts for its own risk management purposes, but where the contracts do not qualify for hedge accounting under US GAAP. Hedging includes contracts that qualify for hedge accounting under US GAAP, such as fair value hedges, cash flow hedges and net investment hedges.

▸ Refer to "Note 27 – Offsetting of financial assets and financial liabilities" in V – Consolidated financial statements – Credit Suisse Group for further information on offsetting of derivatives.

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information on derivatives, including an overview of derivatives by products categorized for trading and hedging purposes.

### Forwards and futures

We enter into forward purchase and sale contracts for mortgage-backed securities, foreign currencies and commitments to buy or sell commercial and residential mortgages. In addition, we enter into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts are typically entered into to meet the needs of customers, for trading and for hedging purposes.

On forward contracts, we are exposed to counterparty credit risk. To mitigate this credit risk, we limit transactions by counterparty, regularly review credit limits and adhere to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker in cash each day. As a result, our credit risk with the clearing broker is limited to the net positive change in the market value for a single day.

### Swaps

Our swap agreements consist primarily of interest rate swaps, CDS, currency and equity swaps. We enter into swap agreements for trading and risk management purposes. Interest rate swaps

are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. CDS are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. Currency swaps are contractual agreements to exchange payments in different currencies based on agreed notional amounts and currency pairs. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements.

Options

We write options specifically designed to meet the needs of customers and for trading purposes. These written options do not expose us to the credit risk of the customer because, if exercised, we and not our counterparty are obligated to perform. At the beginning of the contract period, we receive a cash premium. During the contract period, we bear the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, we purchase or sell cash or derivative financial instruments. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

We also purchase options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, we obtain the right to buy or sell the underlying instrument at a fixed price on or before a specified date. During the contract period, our risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

**Selected European credit risk exposures**

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our overall risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses of our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our ◇ OTC derivative and ◇ reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from ◇ G7 and non-G7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

As part of our global scenario framework, the counterparty credit risk stress testing framework measures counterparty exposure under scenarios calibrated to the 99th percentile for the worst one month and one year moves observed in the available history, as well as the absolutely worst weekly move observed in the same dataset. The scenario results are aggregated at the counterparty level for all our counterparties, including all European countries to which we have exposure. Furthermore, counterparty default scenarios are run where specific entities are set to default. In one of these scenarios, a European sovereign default is investigated. This scenario determines the maximum exposure that we have to this country in the event of its default and serves to identify those counterparties where exposure will rise substantially as a result of the modeled country defaulting.

The scenario framework also considers a range of other severe scenarios, including a specific eurozone crisis scenario which assumes the default of selected European countries, currently modeled to include Greece, Ireland, Italy, Portugal and Spain. It is assumed that the sovereigns, financial institutions and corporates within these countries default, with a 100% loss of sovereign and financial institutions exposures and a 0% to 100% loss of corporates depending on their credit ratings. As part of this scenario, we additionally assume a severe market sell-off involving an equity market crash, widening credit spreads, a rally in the price of gold and a devaluation of the euro. In addition, the eurozone crisis scenario assumes the default of a small number of our market counterparties that we believe would be severely affected by a default across the selected European countries. These counterparties are assumed to default as we believe that they would be the most affected institutions because of their direct presence in the relevant countries and their direct exposures. Through these processes, revaluation and redenomination risks on our exposures are considered on a regular basis by our risk management function.

### Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country even if its parent is located outside of the country.

The credit risk exposure in the table is presented on a risk-based view before deduction of any related allowance for loan losses. We present our credit risk exposure and related risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the PRV of derivative instruments after consideration of legally enforceable netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at issuer level.
- *Risk mitigation* includes CDS and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for exposures of our private banking, corporate and institutional businesses to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and total return swaps).

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranched CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable International Swaps and Derivatives Association (ISDA) master agreement that provides for daily margining.

### Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Cyprus, Croatia, Greece, Ireland, Italy, Portugal and Spain as of December 31, 2015 was EUR 3.7 billion, down from EUR 4.7 billion as of December 31, 2014. Our net exposure to these sovereigns was EUR 0.8 billion, up from EUR 0.5 billion as of December 31, 2014. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2015 included net exposure to financial institutions of EUR 3.7 billion and to corporates and other counterparties of EUR 1.3 billion, compared to EUR 2.9 billion and EUR 1.2 billion, respectively, as of December 31, 2014. In the second quarter of 2015, our gross credit risk exposure to Malta exceeded our quantitative reporting threshold of EUR 0.5 billion. On a gross basis, our risk-based credit risk exposure to Malta as of December 31, 2015 was EUR 0.5 billion, mostly related to corporates and other counterparties. On a net basis, our credit risk exposure to this country was EUR 4 million.

A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each respective country.

### Sovereign debt rating developments

From year-end 2014 through February 29, 2016, the sovereign debt ratings of the countries listed in the table changed as follows: Standard & Poor's increased Cyprus' rating from B+ to BB-, lowered Greece's rating from B to B-, increased Ireland's rating from A to A+, increased Portugal's rating from BB to BB+ and increased Spain's rating from BBB to BBB+. Fitch increased Cyprus' rating from B- to B+, lowered Greece's rating from B to CCC and increased Ireland's rating from A- to A. Moody's increased Cyprus' rating from B3 to B1 and lowered Greece's rating from CAA1 to CAA3. These rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

## Selected European credit risk exposures

| December 31, 2015 | Gross credit risk exposure | Risk mitigation | | Net credit risk exposure | Inventory [2] | | Total credit risk exposure | |
|---|---|---|---|---|---|---|---|---|
| | | CDS | Other [1] | | | Net synthetic inventory [3] | Gross | Net |
| **Croatia (EUR million)** | | | | | | | | |
| Sovereign | 304 | 1 | 271 | 32 | 0 | (102) | 304 | 32 |
| Corporates & other | 102 | 0 | 2 | 100 | 0 | 0 | 102 | 100 |
| **Total** | **406** | **1** | **273** | **132** | **0** | **(102)** | **406** | **132** |
| **Cyprus (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 4 | 0 | 4 | 4 |
| Financial institutions | 8 | 0 | 8 | 0 | 0 | 0 | 8 | 0 |
| Corporates & other | 1,013 | 0 | 1,004 | 9 | 0 | 0 | 1,013 | 9 |
| **Total** | **1,021** | **0** | **1,012** | **9** | **4** | **0** | **1,025** | **13** |
| **Greece (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 19 | 18 | 19 | 19 |
| Financial institutions | 128 | 0 | 118 | 10 | 9 | 0 | 137 | 19 |
| Corporates & other | 1,375 | 0 | 1,355 | 20 | 26 | (50) | 1,401 | 46 |
| **Total** | **1,503** | **0** | **1,473** | **30** | **54** | **(32)** | **1,557** | **84** |
| **Ireland (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 8 | 11 | 8 | 8 |
| Financial institutions | 1,769 | 19 | 376 | 1,374 | 327 | (76) | 2,096 | 1,701 |
| Corporates & other | 1,111 | 112 | 852 | 147 | 11 | (69) | 1,122 | 158 |
| **Total** | **2,880** | **131** | **1,228** | **1,521** | **346** | **(134)** | **3,226** | **1,867** |
| **Italy (EUR million)** | | | | | | | | |
| Sovereign | 3,249 | 2,442 | 138 | 669 | 48 | 45 | 3,297 | 717 |
| Financial institutions | 1,458 | 0 | 836 | 622 | 73 | (45) | 1,531 | 695 |
| Corporates & other | 2,939 | 71 | 2,417 | 451 | 71 | (166) | 3,010 | 522 |
| **Total** | **7,646** | **2,513** | **3,391** | **1,742** | **192** | **(166)** | **7,838** | **1,934** |
| **Malta (EUR million)** | | | | | | | | |
| Financial institutions | 3 | 0 | 0 | 3 | 0 | 0 | 3 | 3 |
| Corporates & other | 542 | 0 | 541 | 1 | 0 | 0 | 542 | 1 |
| **Total** | **545** | **0** | **541** | **4** | **0** | **0** | **545** | **4** |
| **Portugal (EUR million)** | | | | | | | | |
| Sovereign | 0 | 0 | 0 | 0 | 19 | 25 | 19 | 19 |
| Financial institutions | 123 | 0 | 117 | 6 | 108 | (7) | 231 | 114 |
| Corporates & other | 192 | 0 | 108 | 84 | 16 | (30) | 208 | 100 |
| **Total** | **315** | **0** | **225** | **90** | **143** | **(12)** | **458** | **233** |
| **Spain (EUR million)** | | | | | | | | |
| Sovereign | 16 | 0 | 0 | 16 | 7 | (38) | 23 | 23 |
| Financial institutions | 1,629 | 3 | 750 | 876 | 246 | (218) | 1,875 | 1,122 |
| Corporates & other | 1,677 | 20 | 1,348 | 309 | 37 | (173) | 1,714 | 346 |
| **Total** | **3,322** | **23** | **2,098** | **1,201** | **290** | **(429)** | **3,612** | **1,491** |
| **Total (EUR million)** | | | | | | | | |
| Sovereign | 3,569 | 2,443 | 409 | 717 | 105 | (41) | 3,674 | 822 |
| Financial institutions | 5,118 | 22 | 2,205 | 2,891 | 763 | (346) | 5,881 | 3,654 |
| Corporates & other | 8,951 | 203 | 7,627 | 1,121 | 161 | (488) | 9,112 | 1,282 |
| **Total** | **17,638** | **2,668** | **10,241** | **4,729** | **1,029** | **(875)** | **18,667** | **5,758** |

[1] Includes other hedges (derivative instruments), guarantees, insurance and collateral.
[2] Represents long inventory positions netted at issuer level.
[3] Substantially all of which results from CDS; represents long positions net of short positions.

# Balance sheet, off-balance sheet and other contractual obligations

During 2015, we decreased total assets and total liabilities by 11%, reflecting a decrease in operating activities and the foreign exchange translation impact. As of the end of 2015, total assets were CHF 820.8 billion, total liabilities were CHF 775.8 billion and total equity was CHF 45.0 billion.

## Balance sheet summary

| | | end of | | % change | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 15 / 14 | 14 / 13 |
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 92,328 | 79,349 | 68,692 | 16 | 16 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 123,049 | 163,208 | 160,022 | (25) | 2 |
| Trading assets | 190,737 | 241,131 | 229,413 | (21) | 5 |
| Net loans | 272,995 | 272,551 | 247,054 | 0 | 10 |
| Brokerage receivables | 34,542 | 41,629 | 52,045 | (17) | (20) |
| All other assets | 107,154 | 123,594 | 115,580 | (13) | 7 |
| **Total assets** | **820,805** | **921,462** | **872,806** | (11) | 6 |
| **Liabilities and equity (CHF million)** | | | | | |
| Due to banks | 21,054 | 26,009 | 23,108 | (19) | 13 |
| Customer deposits | 342,705 | 369,058 | 333,089 | (7) | 11 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 46,598 | 70,119 | 94,032 | (34) | (25) |
| Trading liabilities | 48,971 | 72,655 | 76,635 | (33) | (5) |
| Long-term debt | 197,608 | 177,898 | 130,042 | 11 | 37 |
| Brokerage payables | 39,452 | 56,977 | 73,154 | (31) | (22) |
| All other liabilities | 79,399 | 103,745 | 95,580 | (23) | 9 |
| **Total liabilities** | **775,787** | **876,461** | **825,640** | (11) | 6 |
| **Total shareholders' equity** | **44,382** | **43,959** | **42,164** | 1 | 4 |
| Noncontrolling interests | 636 | 1,042 | 5,002 | (39) | (79) |
| **Total equity** | **45,018** | **45,001** | **47,166** | 0 | (5) |
| **Total liabilities and equity** | **820,805** | **921,462** | **872,806** | (11) | 6 |

The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

## BALANCE SHEET

Total assets were CHF 820.8 billion as of the end of 2015, down CHF 100.7 billion, or 11%, from the end of 2014. Excluding the foreign exchange translation impact, total assets decreased CHF 93.8 billion.

In Swiss francs, trading assets decreased CHF 50.4 billion, or 21%, reflecting decreases in equity securities, debt securities, derivative instruments and foreign exchange translation impact. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions decreased CHF 40.2 billion, or 25%, mainly driven by a decrease in reverse repurchase balances with customers, a decrease in cash collateral to customers and banks as well as the foreign exchange translation impact. A decrease of CHF 7.1 billion, or 17%, in brokerage receivables was mainly due to lower margin lending balances, decrease in open trade receivables balances with bank and customer counterparties and a decrease in futures margin receivables balances. Cash and due from banks increased CHF 13.0 billion, or 16%, driven mainly by higher cash balances with the Fed and the SNB. Net loans were stable. All other assets decreased CHF 16.4 billion, or 13%, including decreases of CHF 12.5 billion, or 18%, in other assets, decreases of CHF 3.8 billion, or 44%, in goodwill and decreases of CHF 1.6 billion, or 18%, in other investments, partially offset by an increase of CHF 1.7 billion, or 6%, in securities received as collateral.

Total liabilities were CHF 775.8 billion as of the end of 2015, down CHF 100.7 billion, or 11%, from the end of 2014. Excluding the foreign exchange translation impact, total liabilities decreased CHF 96.2 billion.

In Swiss francs, customer deposits decreased CHF 26.4 billion, or 7%, primarily due to a decrease in certificates of deposits, lower current and corporate accounts with international institutional, corporate and private clients, lower custody accounts and cash deposits related to Swiss institutional and public clients as well as the foreign exchange translation impact. Trading liabilities decreased CHF 23.7 billion, or 33%, reflecting a decrease in derivative instruments, short trading positions and the foreign exchange translation impact. A decrease of CHF 23.5 billion, or 34%, in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions mainly reflected decreases in repurchase transactions with customers and banks. Brokerage payables decreased CHF 17.5 billion, or 31%, mainly due to lower margin lending customer counterparty balances, lower open cash trades and a decrease in futures margin lending payables. Due to banks decreased CHF 5.0 billion, or 19%, primarily due to a decrease in time and demand deposits. Long-term debt increased CHF 19.7 billion, or 11%, primarily reflecting issuances of senior debt, partially offset by maturities of senior debt and the foreign exchange translation impact. All other liabilities decreased CHF 24.3 billion, or 23%, including decreases of CHF 17.3 billion, or 67%, in short-term borrowings and CHF 8.7 billion, or 17%, in other liabilities, partially offset by an increase of CHF 1.7 billion, or 6%, in obligation to return securities received as collateral.

▸ Refer to "Liquidity and funding management" and "Capital management" for more information, including our funding of the balance sheet and the leverage ratio.

## OFF-BALANCE SHEET

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with special purpose entities (SPEs), and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

### Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and CDS, interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. PRV constitute an asset, while negative replacement values constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

▸ Refer to "Derivative instruments" in Risk management – Risk review and results – Credit risk review for further information.

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Guarantees and similar arrangements

In the ordinary course of business, guarantees and indemnifications are provided that contingently obligate us to make payments to a guaranteed or indemnified party based on changes in an asset, liability or equity security of the guaranteed or indemnified party. We may be contingently obligated to make payments to a guaranteed party based on another entity's failure to perform, or we may have an indirect guarantee of the indebtedness of others. Guarantees provided include, but are not limited to, customary indemnifications to purchasers in connection with the sale of assets or businesses; to investors in private equity funds sponsored by us regarding potential obligations of their employees to return amounts previously paid as carried interest; to investors in our securities and other arrangements to provide gross-up payments if there is a withholding or deduction because of a tax assessment or other governmental charge; and to counterparties in connection with securities lending arrangements.

In connection with the sale of assets or businesses, we sometimes provide the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. They are designed to transfer the potential risk of certain unquantifiable and unknowable loss contingencies, such as litigation, tax and intellectual property matters, from the acquirer to the seller. We closely monitor all such contractual agreements in order to ensure that indemnification provisions are adequately provided for in our consolidated financial statements.

US GAAP requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability for the fair value of obligations undertaken for guarantees issued or amended after December 31, 2002.

▸ Refer to "Note 33 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for disclosure of our estimated maximum payment obligations under certain guarantees and related information.

### Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, we have provided certain representations and warranties relating to the loans sold. We have provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that we have purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; LTV ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, we may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether we will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether we can successfully claim against parties that sold loans to us and made representations and warranties to us; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

▸ Refer to "Representations and warranties on residential mortgage loans sold" in Note 33 – Guarantees and commitments in V – Consolidated financial statements – Credit Suisse Group for further information.

### Involvement with special purpose entities

In the normal course of business, we enter into transactions with, and make use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist us and our clients in securitizing financial assets and creating investment products. We also use SPEs for other client-driven activity, such as to facilitate financings, and for Group tax or regulatory purposes.

As a normal part of our business, we engage in various transactions that include entities that are considered VIEs and are grouped into three primary categories: ○ collateralized debt obligations, ○ CP conduits and financial intermediation. VIEs are SPEs that typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under US GAAP, compelling the primary beneficiary to consolidate the VIE. The primary beneficiary is the party that has the power to direct the activities that most significantly affect the economics of the VIE and potentially has significant benefits or losses in the VIE. We consolidate all VIEs where we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. Application of the accounting requirements for consolidation of VIEs, including ongoing reassessment of VIEs for possible consolidation, may require the exercise of significant management judgment.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, we may hold interests in the VIEs.

▸ Refer to "Note 34 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information.

We issue subordinated and senior securities through SPEs that lend the proceeds to the Group.

## CONTRACTUAL OBLIGATIONS AND OTHER COMMERCIAL COMMITMENTS

In connection with our operating activities, we enter into certain contractual obligations and commitments to fund certain assets. Our contractual obligations and commitments include short and long-term on-balance sheet obligations as well as future contractual interest payments and off-balance sheet obligations. Total obligations decreased CHF 71.4 billion in 2015 to CHF 669.8 billion, primarily reflecting the decrease in customer deposits of CHF 26.4 billion to CHF 342.7 billion, the decrease in trading liabilities of CHF 23.7 billion to CHF 49.0 billion, the decrease in brokerage payables of CHF 17.5 billion to CHF 39.5 billion, the decrease in short-term borrowings of CHF 17.3 billion to CHF 8.7 billion, the decrease in due to banks of CHF 5.0 billion to CHF 21.1 billion, the decrease in contractual interest payments of CHF 0.8 billion to CHF 4.6 billion and the decrease in operating lease obligations CHF 0.4 billion to CHF 6.0 billion, partially offset by the increase in long-term debt of CHF 19.7 billion to CHF 197.6 billion.

▸ Refer to "Note 25 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt and the related interest commitments.

▸ Refer to "Note 33 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information on commitments.

### Contractual obligations and other commercial commitments

| | | | | | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Payments due within | Less than 1 year | 1 to 3 years | 3 to 5 years | More than 5 years | Total | Total |
| **On- and off-balance sheet obligations (CHF million)** | | | | | | |
| Due to banks | 19,297 | 1,455 | 27 | 275 | 21,054 | 26,009 |
| Customer deposits | 340,315 | 1,484 | 120 | 786 | 342,705 | 369,058 |
| Short-term borrowings | 8,657 | 0 | 0 | 0 | 8,657 | 25,921 |
| Long-term debt [1] | 22,338 | 60,557 | 41,157 | 73,556 | 197,608 [2] | 177,898 [2] |
| Contractual interest payments [3] | 1,345 | 2,027 | 262 | 925 | 4,559 [4] | 5,346 |
| Trading liabilities | 48,971 | 0 | 0 | 0 | 48,971 | 72,655 |
| Brokerage payables | 39,452 | 0 | 0 | 0 | 39,452 | 56,977 |
| Capital lease obligations | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating lease obligations | 564 | 1,065 | 941 | 3,461 | 6,031 | 6,476 |
| Purchase obligations | 422 | 300 | 62 | 4 | 788 | 840 |
| **Total obligations** [5] | **481,361** | **66,888** | **42,569** | **79,007** | **669,825** | **741,180** |

[1] Refer to "Debt issuances and redemptions" in Liquidity and funding management and "Note 25 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt.

[2] Includes non-recourse liabilities from consolidated VIEs of CHF 14,826 million and CHF 13,452 million as of December 31, 2015 and 2014, respectively.

[3] Includes interest payments on fixed rate long-term debt, fixed rate interest-bearing deposits (excluding demand deposits) and fixed rate short-term borrowings, which have not been effectively converted to variable rate on an individual instrument level through the use of swaps.

[4] Due to the non-determinable nature of interest payments, the following notional amounts have been excluded from the table: variable rate long-term debt of CHF 99,125 million, variable rate short-term borrowings of CHF 7,135 million, variable rate interest-bearing deposits and demand deposits of CHF 259,109 million, fixed rate long-term debt and fixed rate interest-bearing deposits converted to variable rate on an individual instrument level through the use of swaps of CHF 84,903 million and CHF 398 million, respectively.

[5] Excludes total accrued benefit liability for pension and other post-retirement benefit plans of CHF 1,145 million and CHF 689 million as of December 31, 2015 and 2014, respectively, recorded in other liabilities in the consolidated balance sheets, as the accrued liability does not represent expected liquidity needs. Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on pension and other post-retirement benefits.

# IV

# Corporate Governance and Compensation

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# Corporate Governance

The Group's corporate governance complies with internationally accepted standards. We are committed to safeguarding the interests of our stakeholders and recognize the importance of good corporate governance. We know that transparent disclosure of our governance helps stakeholders assess the quality of the Group's corporate governance and assists investors in their investment decisions.

## CORPORATE GOVERNANCE DEVELOPMENTS

The Group's corporate governance underwent a number of important changes during 2015, the most significant being the appointment of new management and the restructuring of the Group's businesses to align with the new strategy announced in October 2015. The key corporate governance developments for the Group in 2015 include:

- The appointment of new Chief Executive Officer (CEO) Tidjane Thiam effective July 1, 2015, followed by senior leadership changes within the Executive Board effective October 21, 2015;
- The establishment of five new business divisions (Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets and Investment Banking & Capital Markets) and the Strategic Resolution Unit to align with the new strategy announced in October 2015;
- The establishment of two new Executive Board roles: the role of Chief Operating Officer (responsibilities to include some of which were formerly within the Chief Financial Officer function) and the role of Chief Compliance and Regulatory Affairs Officer (responsibilities to include some of which were formerly integrated within the General Counsel function);
- The Extraordinary General Meeting (EGM) held on November 19, 2015, at which shareholders approved two capital raises resulting in combined gross proceeds of CHF 6 billion;
- The implementation of binding votes on compensation for the Board of Directors (Board) and the Executive Board at the 2015 Annual General Meeting (AGM) held on April 24, 2015, in compliance with the Swiss Ordinance Against Excessive Compensation with respect to Listed Corporations (Compensation Ordinance); shareholders approved the compensation of the Board and Executive Board at the AGM;
- The election of new Board member Seraina Maag at the 2015 AGM; with the election of Ms. Maag, three of the Group's twelve Board members are female;
- The launch of a new Board advisory committee, the Innovation & Technology Committee, to advise on and further the Group's ambitions to promote innovation and successfully leverage technological change;
- A change to the tenure limits for members of the Board to 12 years of service, from the previous tenure limit of 15 years; and
- Further progress on the implementation of the Group's legal entity governance structure, including the formal incorporation of Credit Suisse (Schweiz) AG and the appointment of a newly constituted board for Credit Suisse Holdings (USA), Inc., the company which will serve as the Group's intermediate holding company in the US, in line with regulatory requirements; the board now includes several non-executive board members and is chaired by Group Board member Richard E. Thornburgh.

▸ Refer to "Evolution of legal entity structure" in II – Operating and financial review – Credit Suisse for further information on our legal entity structure.

We regularly monitor developments in corporate governance guidelines, regulations and best practice standards in all jurisdictions relevant to our business operations. A key development during 2015 was the revised guidance of the Basel Committee on Banking Supervision (BCBS) on the corporate governance principles for banks. The revised guidance emphasizes the importance of sound corporate governance and reinforces the collective oversight and risk governance responsibilities of the board of directors.

▸ Refer to "Risk management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on risk governance.

## CORPORATE GOVERNANCE FRAMEWORK

The Group's corporate governance framework consists of its governing bodies and its corporate governance policies and procedures, which define the competencies of the governing bodies and other corporate governance rules, as well as the practices to be followed throughout the Group, in line with Swiss corporate law and international best practice standards for corporate governance. The governing bodies of the Group are:

- The General Meeting of Shareholders;
- The Board of Directors;
- The Executive Board; and
- The independent auditors.

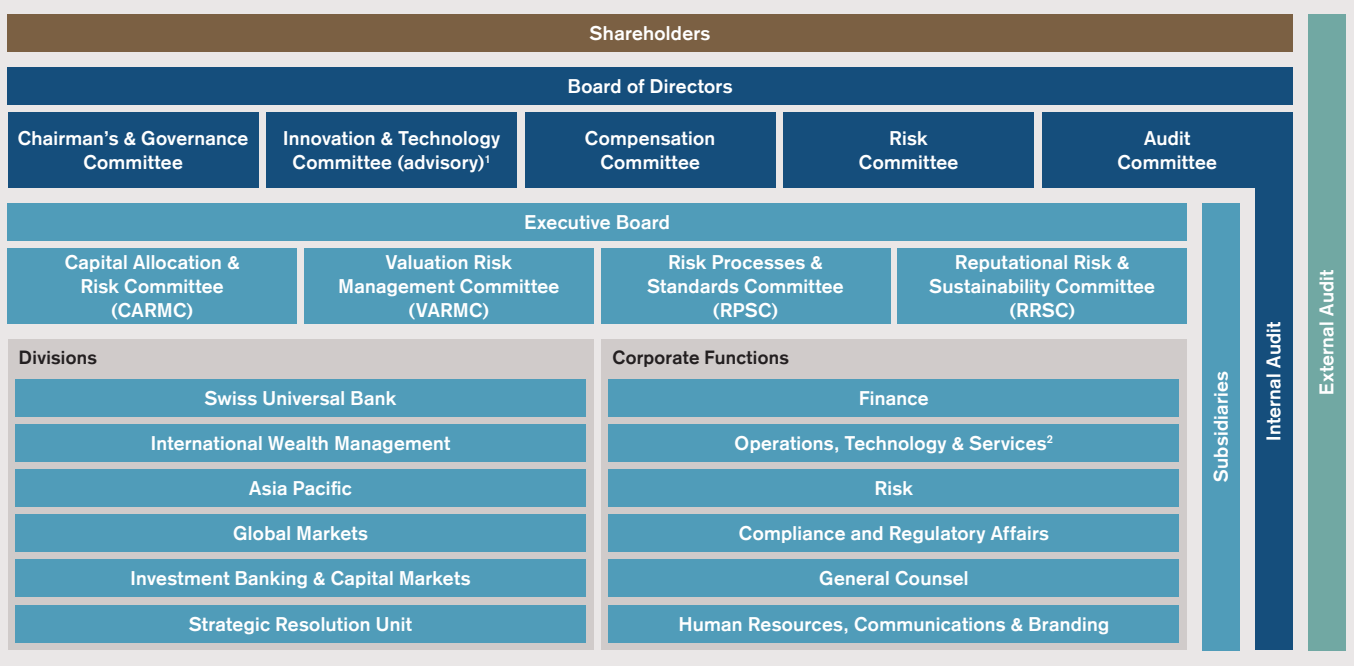
The shareholders elect the members of the Board and the independent auditors on an annual basis and approve required resolutions at the AGM, such as the consolidated financial statements, capital increases and Board and Executive Board compensation. The Board is responsible for the overall strategic direction, supervision and control of the Group and appoints the Executive Board. The Executive Board is responsible for the day-to-day operational management of the Group's business and for developing and implementing business plans. The Group is engaged in the banking business and is structured into five business divisions – Swiss Universal Bank; International Wealth Management; Asia Pacific; Global Markets; and Investment Banking & Capital Markets – as well as the Strategic Resolution Unit. The divisions are supported

by corporate functions that provide infrastructure and services and have internal control responsibilities.

The Group's banking business is carried out through its legal entities, which are operational in various jurisdictions and subject to the governance rules and supervision of the regulators in those jurisdictions.

The corporate governance framework is depicted in the chart below. The duties and responsibilities of the governing bodies are described in further detail in the sections below.

## Corporate Governance Framework




[1] The Innovation & Technology Committee is a new advisory committee currently being established to advise the Board on matters of technology and innovation.
[2] The Chief Operating Officer (COO) oversees, among others, global operations, information technology and our centers of excellence.

The Group's corporate governance policies and procedures, adopted by the Board, are defined in a series of documents, all of which are available on our website at *www.credit-suisse.com/governance*, and include:

- Articles of Association (AoA): define the purpose of the business, the capital structure and the basic organizational framework. The AoA of Credit Suisse Group AG (Group) are dated December 2, 2015, and the AoA of Credit Suisse AG (Bank) are dated September 4, 2014.
- Code of Conduct: defines the Group's ethical values and professional standards that the Board and all employees are required to follow, including adherence to all relevant laws, regulations and policies in order to maintain and strengthen our reputation for integrity, fair dealing and measured risk taking. The Code of Conduct also implements requirements stipulated under the US Sarbanes-Oxley Act of 2002 (SOX) by including provisions on ethics for our CEO and our principal financial and accounting officers and other persons performing similar functions. No waivers or exceptions are permissible under our Code of Conduct. Our Code of Conduct is available on our website at *www.credit-suisse.com/code* in ten languages.
- Organizational Guidelines and Regulations (OGR): define the organizational structure of the Group and the responsibilities and sphere of authority of the Board, its committees and the various senior management bodies within the Group, as well as the relevant reporting procedures.
- Board charter: outlines the organization and responsibilities of the Board. The Board charter is available on our website at: *www.credit-suisse.com/boardcharter.*
- Board committee charters: define the organization and responsibilities of the committees.
- Compensation policy: provides a foundation for the development of sound compensation plans and practices.

The summaries herein of the material provisions of our AoA and the Swiss Code of Obligations do not purport to be complete and are qualified in their entirety by reference to the Swiss Code of Obligations and the AoA. The Group's and the Bank's AoAs are available on our website at *www.credit-suisse.com/articles*.

Credit Suisse Group AG and Credit Suisse AG are registered companies in Switzerland. The Group's shares are listed on the Swiss Exchange (SIX) stock exchange and – in the form of American Depositary Shares (ADS) – on the New York Stock Exchange (NYSE). The business purpose of the Group, as set forth in Article 2 of its AoA, is to hold direct or indirect interests in all types of businesses in Switzerland and abroad, in particular in the areas of banking, finance, asset management and insurance. The business purpose of the Bank, as set forth in Article 2 of its AoA, is to operate as a bank, with all related banking, finance, consultancy, service and trading activities in Switzerland and abroad. The AoA of the Group and the Bank set forth their powers to establish new businesses, acquire a majority or minority interest in existing businesses and provide related financing and to acquire, mortgage and sell real estate properties both in Switzerland and abroad. These and other company details are shown in the table below.

## Company details

| | Group | Bank |
|---|---|---|
| Legal name | Credit Suisse Group AG | Credit Suisse AG |
| Business purpose | Operate as a holding company | Operate as a bank |
| Registration details | Commercial register of the Canton of Zurich as of March 3, 1982; No. CHE-105.884.494 | Commercial register of the Canton of Zurich as of April 27, 1883; No. CHE-106.831.974 |
| Date incorporated, with unlimited duration | March 3, 1982 | July 5, 1856 |
| Registered office | Paradeplatz 8 8001 Zurich Switzerland | Paradeplatz 8 8001 Zurich Switzerland |
| Equity listing | Swiss Exchange (SIX) SIX number 1213853 NYSE in the form of ADS | – |
| Authorized representative in the US | Credit Suisse (USA), Inc., 11 Madison Avenue, New York, New York, 10010 | Credit Suisse (USA), Inc., 11 Madison Avenue, New York, New York, 10010 |

▸ Refer to "II – Operating and financial review" for a detailed review of our operating results.

▸ Refer to "Note 40 – Significant subsidiaries and equity method investments" in V – Consolidated financial statements – Credit Suisse Group for a list of significant subsidiaries and associated entities.

### Code of Conduct

At Credit Suisse, we are convinced that our responsible approach to business is a decisive factor determining our long-term success. We therefore expect all of our employees and members of the Board to observe the professional standards and ethical values set out in our Code of Conduct, including our commitment to complying with all applicable laws, regulations and policies in order to safeguard our reputation for integrity, fair dealing and measured risk-taking.

▸ Refer to "www.credit-suisse.com/code" for our Code of Conduct.

### Corporate Responsibility

A responsible approach to business is a key factor determining our long-term success. For Credit Suisse, corporate responsibility is about creating sustainable value for clients, shareholders, employees and other stakeholders. We strive to assume these responsibilities and to comply with the ethical values and professional standards set out in our Code of Conduct in every aspect of our work, including in our relationship with stakeholders. Our approach is based on a broad understanding of our duties as a financial services provider and employer and as an integral part of the economy and society. This approach also reflects our commitment to protecting the environment. To ensure that we supply the full breadth of information required by our stakeholders, we publish a Corporate Responsibility Report each year.

▸ Refer to "www.credit-suisse.com/responsibility" for our Corporate Responsibly Report.

## SHAREHOLDERS

### Capital structure

Our total issued share capital as of December 31, 2015 was CHF 78,295,170 divided into 1,957,379,244 shares, with a nominal value of CHF 0.04 per share. On November 19, 2015, the Group held an EGM, at which shareholders approved two capital increases: a first capital increase by way of a private placement of newly issued shares to a number of qualified investors; and a second capital increase by way of a rights offering. The capital increases together resulted in 318,983,898 newly issued shares and gross proceeds of CHF 6.0 billion.

▸ Refer to "Note 16 – Share capital, conditional, conversion and authorized capital of Credit Suisse Group" in VI – Parent company financial statements – Credit Suisse Group and our AoA (Articles 26, 26b-c and 27) for information on changes to our capital structure during the year.

### Shareholder base

We have a broad shareholder base, with the majority of shares owned directly or indirectly by institutional investors outside Switzerland. As of December 31, 2015, 112,938 shareholders were registered in our share register with 1,145,776,989 shares, representing 59% of the total shares issued. The remaining 41% of shares are not registered in our share register. As of December 31, 2015, 47.8 million or 2.44%, of the issued shares were in the form of ADS. The information provided in the following tables reflects the distribution of Group shares as registered in our share register as of December 31, 2015.

## Distribution of Group shares

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of shareholders | % | Number of shares | % | Number of shareholders | % | Number of shares | % |
| **Distribution of Group shares** | | | | | | | | |
| Private investors | 109,269 | 97 | 130,897,618 | 7 | 114,934 | 97 | 116,681,122 | 7 |
| of which Switzerland | 99,598 | 88 | 115,974,393 | 6 | 104,750 | 88 | 103,656,285 | 6 |
| of which foreign | 9,671 | 9 | 14,923,225 | 1 | 10,184 | 9 | 13,024,837 | 1 |
| Institutional investors | 3,669 | 3 | 1,014,879,371 | 52 | 3,825 | 3 | 865,210,954 | 54 |
| of which Switzerland | 3,160 | 3 | 208,903,959 | 11 | 3,332 | 3 | 156,025,204 | 10 |
| of which foreign [1] | 509 | 0 | 805,975,412 | 41 | 493 | 0 | 709,185,750 | 44 |
| **Shares registered in share register** | **112,938** | 100 | **1,145,776,989** | 59 | **118,759** | 100 | **981,892,076** | 61 |
| of which Switzerland | 102,758 | 91 | 324,878,352 | 17 | 108,082 | 91 | 259,681,489 | 16 |
| of which Europe | 9,169 | 8 | 552,781,065 | 28 | 9,664 | 8 | 494,318,812 | 31 |
| of which US [1] | 173 | 0 | 244,415,078 | 12 [1] | 151 | 0 | 205,229,688 | 13 |
| of which other | 838 | 1 | 23,702,494 | 1 | 862 | 1 | 22,662,087 | 1 |
| **Shares not registered in share register** | **–** | – | **811,602,255** | 41 | **–** | – | **625,276,871** | 39 |
| **Total shares issued** | **–** | – | **1,957,379,244** | 100 | **–** | – | **1,607,168,947** | 100 |

[1] Includes shares issued in the form of ADS.

## Distribution of institutional investors in share register by industry

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of shareholders | % | Number of shares | % | Number of shareholders | % | Number of shares | % |
| **Institutional investors by industry** | | | | | | | | |
| Banks | 25 | 0 | 1,547,448 | 0 | 28 | 0 | 1,560,911 | 0 |
| Insurance companies | 93 | 0 | 10,273,200 | 1 | 100 | 0 | 7,475,049 | 0 |
| Pension funds | 568 | 1 | 46,680,254 | 2 | 602 | 1 | 39,265,226 | 2 |
| Investment trusts | 399 | 0 | 161,850,174 | 8 | 353 | 0 | 119,401,124 | 7 |
| Other trusts | 646 | 1 | 6,883,152 | 0 | 671 | 1 | 5,920,253 | 0 |
| Governmental institutions | 34 | 0 | 636,040 | 0 | 32 | 0 | 7,176,248 | 0 |
| Other [1] | 1,755 | 2 | 121,339,051 | 6 | 1,880 | 2 | 103,333,438 | 6 |
| **Direct entries** | **3,520** | 3 | **349,209,319** | 18 | **3,666** | 3 | **284,132,249** | 18 |
| **Fiduciary holdings** | **149** | 0 | **665,670,052** | 34 | **159** | 0 | **581,078,705** | 36 |
| **Total institutional investors** | **3,669** | 3 | **1,014,879,371** | 52 | **3,825** | 3 | **865,210,954** | 54 |

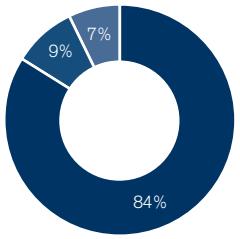
Rounding differences may occur.

[1] Includes various other institutional investors for which a breakdown by industry type was not available.

Through the use of an external global market intelligence firm, we regularly gather additional information on the composition of our shareholder base including information on shares that are not registered in the share register. According to this data, our shareholder base as of December 31, 2015 was comprised of over 80% institutional investors, with almost half in North America. The distribution of Group shareholdings by investor type and region is shown as follows:

**Group shares by investor type**

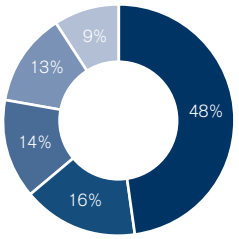
End of 2015




- Institutional investors
- Private investors
- Other investors

**Institutional investors by region**

End of 2015




- North America
- Switzerland
- UK & Ireland
- Europe
- Other

### Shareholder engagement

The Group engages regularly with its shareholders and proxy advisors. The purpose of such engagements is to understand the perspectives of its shareholders, exchange views about the Group's strategy, financial performance, corporate governance and compensation and other matters of importance to the Group or its shareholders. Shareholder engagement meetings may be attended by the Chairman, the Compensation Committee Chairman, the CEO, CFO and other members of the Board or senior management. The responsibility for shareholder engagement is with our Investor Relations department. The Group aims to ensure that all shareholders receive the relevant information they need to keep abreast of current Group developments and make informed decisions.

### Information policy

We are committed to an open and fair information policy with our shareholders and other stakeholders. Our Investor Relations and Corporate Communications departments are responsible for inquiries. All Group shareholders registered in our share register receive an invitation to our AGM, including an order form to receive the annual report and other reports. Each registered shareholder also receives a quarterly shareholders' letter and may elect to receive the quarterly reports on our financial performance. All of these reports and other information can be accessed on our website at *www.credit-suisse.com/investors*.

### Notices

Notices to shareholders are made by publication in the Swiss Official Gazette of Commerce. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules of the SIX will either be published in two Swiss newspapers in German and French and sent to the SIX or otherwise communicated to the SIX in accordance with applicable listing rules. The SIX may disseminate the relevant information.

### Significant shareholders

Under the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), anyone holding shares in a company listed on the SIX is required to notify the company and the SIX if their holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights entered into the commercial register, whether or not the voting rights can be exercised (that is, notifications must also include certain derivative holdings such as options or similar instruments). Following receipt of such notification, the company has an obligation to inform the public. In addition, pursuant to the Swiss Code of Obligations, a company must disclose in the notes to their annual consolidated financial statements the identity of any shareholders who own in excess of 5% of their shares. The following provides an overview of the holdings of shares of our significant shareholders, including any rights to purchase or dispose of shares, based on the most recent disclosure notifications. In line with the SESTA requirements, the percentages indicated below were calculated in relation to the share capital reflected in the AoA at the time of the disclosure notification. The full text of all notifications can be found on our website at *www.credit-suisse.com/shareholders*. Each share entitles the holder to one vote.

▸ Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for further information on significant shareholders.

The Group also holds positions in its own shares, which are subject to the same disclosure requirements as significant external shareholders. These positions fluctuate and primarily reflect market making, facilitating client orders and satisfying the obligations under our employee compensation plans. Shares held by the Group have no voting rights. As of December 31, 2015, our holdings amounted to 3.06% purchase positions (0.71% registered shares and 2.35% share acquisition rights) and 26.19% sales positions (disposal rights).

### Cross shareholdings

The Group has no cross shareholdings in excess of 5% of capital or voting rights with any other company.

## Significant shareholders

| | Group publication of notification | Number of shares (million) | Approximate shareholding % [1] | Purchase rights % |
|---|---|---|---|---|
| **December 31, 2015 or the most recent notification date** | | | | |
| Norges Bank | February 12, 2016 | 98.5 | 5.03 | – |
| Qatar Investment Authority (registered entity – Qatar Holding LLC) | December 10, 2015 | 97.5 | 4.98 | 13.59 [2] |
| The Olayan Group (registered entity – Crescent Holding GmbH) | December 2, 2015 | 84.0 | 4.95 | 6.40 [3] |
| Harris Associates L.P. | November 9, 2013 [4] | 81.5 | 5.17 | – |
| Franklin Resources, Inc. | February 25, 2016 | 69.0 | 3.52 | – |
| Dodge & Cox | December 19, 2012 [5] | 63.5 | 4.96 | – |
| Capital Group Companies, Inc. | April 21, 2015 | 48.4 | 3.01 | – |
| BlackRock Inc. | January 25, 2013 | 38.6 | 3.01 | – |
| **December 31, 2014 or the most recent notification date** | | | | |
| The Olayan Group (registered entity – Crescent Holding GmbH) | April 6, 2013 | 88.5 | 6.70 | 7.99 |
| Qatar Investment Authority (registered entity – Qatar Holding LLC) | October 31, 2013 | 82.0 | 5.20 | 16.53 |
| Harris Associates L.P. | November 9, 2013 | 81.5 | 5.17 | – |
| Norges Bank | June 19, 2014 | 80.0 | 5.01 | – |
| Franklin Resources, Inc. | February 25, 2015 | 67.5 | 4.20 | – |
| Dodge & Cox | December 19, 2012 | 63.5 | 4.96 | – |
| Capital Group Companies, Inc. | January 14, 2015 | 47.8 | 2.98 | – |
| BlackRock Inc. | January 25, 2013 | 38.6 | 3.01 | – |
| **December 31, 2013 or the most recent notification date** | | | | |
| The Olayan Group (registered entity – Crescent Holding GmbH) | April 6, 2013 | 88.5 | 6.70 | 7.99 |
| Qatar Investment Authority (registered entity – Qatar Holding LLC) | October 31, 2013 | 82.0 | 5.20 | 16.53 |
| Harris Associates L.P. | November 9, 2013 | 81.5 | 5.17 | – |
| Dodge & Cox | December 19, 2012 | 63.5 | 4.96 | – |
| Franklin Resources, Inc. | March 12, 2014 | 57.6 | 3.61 | – |
| Norges Bank | April 5, 2013 | 39.8 | 3.01 | 1.64 |
| Capital Group Companies, Inc. | January 22, 2013 | 39.4 | 3.07 | 0.96 |
| BlackRock Inc. | January 25, 2013 | 38.6 | 3.01 | – |

[1] The approximate shareholding percentages were calculated in relation to the share capital at the time of the relevant disclosure notification. They therefore do not reflect changes in such percentages that would result from changes in the number of outstanding shares following the date of the disclosure notification, such as the issuance of 318,983,898 new shares in connection with the 2015 capital increases.

[2] Consists of 13.59% purchase rights relating to Qatar Holding LLC's holdings of USD 1.72 billion 9.5% tier 1 capital instruments and CHF 2.5 billion 9.0% tier 1 capital instruments (perpetual security with mandatory contingent conversion into shares), which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements.

[3] Consists of 6.34% purchase rights relating to The Olayan Group's holdings of USD 1.725 billion 9.5% tier 1 capital instruments (perpetual security with mandatory contingent conversion into shares), which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements, and 0.06% from short put options.

[4] Harris Associates L.P.'s position includes the reportable position (4.21% shareholding) of Harris Associates Investment Trust, which is managed by Harris Associates L.P., as published by the SIX on November 26, 2014.

[5] Dodge & Cox's position includes the reportable position (3.03% shareholding) of Dodge & Cox International Stock Fund, which is managed by Dodge & Cox, as published by the SIX on June 11, 2014.

### Shareholder rights

We are fully committed to the principle of equal treatment of all shareholders. The following information summarizes certain shareholder rights at the Group.

#### Voting rights and transfer of shares

There is no limitation under Swiss law or the AoA on the right to own Group shares.

In principle, each share represents one vote at the AGM. Shares held by the Group have no voting rights. Shares for which a single shareholder or shareholder group can exercise voting rights may not exceed 2% of the total outstanding share capital, unless one of the exemptions discussed below applies. The restrictions on voting rights do not apply to:

- the exercise of voting rights by the independent proxy as elected by the AGM;

- shares in respect of which the shareholder confirms to us that the shareholder has acquired the shares in the shareholder's name for the shareholder's own account and in respect of which the disclosure requirements in accordance with the SESTA and the relevant ordinances and regulations have been fulfilled; or
- shares that are registered in the name of a nominee, provided that this nominee is willing to furnish us on request the name, address and shareholding of the person(s) for whose account the nominee holds 0.5% or more of the total share capital and confirms to us that any applicable disclosure requirements under the SESTA have been fulfilled.

To execute voting rights, shares need to be registered in the share register directly or in the name of a nominee. In order to be registered in the share register, the purchaser must file a share registration form with the depository bank. The registration of shares in the share register may be requested at any time. Failing such registration, the purchaser may not vote or participate in shareholders' meetings. However, each shareholder, whether registered in the share register or not, receives dividends or other distributions approved at the AGM. Transfer restrictions apply regardless of the way and the form in which the registered shares are kept in the accounts and regardless of the provisions applicable to transfers. The transfer of intermediated securities based on Group shares, and the pledging of these intermediated securities as collateral, is based on the provisions of the Swiss Federal Intermediated Securities Act. Transfer or pledging as collateral by means of written assignment are not permitted.

### Annual General Meeting

We encourage shareholders to participate at our AGM. Under Swiss law, the AGM must be held within six months of the end of the fiscal year. Notice of an AGM, including agenda items and proposals submitted by the Board and by shareholders, must be published in the Swiss Official Gazette of Commerce at least 20 days prior to the AGM.

Shares only qualify for voting at an AGM if they are registered in the share register with voting rights no later than three days prior to the AGM.

#### Convocation of shareholder meetings

The AGM is convened by the Board or, if necessary, by the statutory auditors, with 20 days' prior notice. The Board is further required to convene an EGM if so resolved at a shareholders' meeting or if so requested by shareholders holding in aggregate at least 10% of the nominal share capital. The request to call an EGM must be submitted in writing to the Board, and, at the same time, Group shares representing at least 10% of the nominal share capital must be deposited for safekeeping. The shares remain in safekeeping until the day after the EGM.

#### Request to place an item on the agenda

Shareholders holding shares with an aggregate nominal value of at least CHF 40,000 have the right to request that a specific item be placed on the agenda and voted upon at the AGM. The request to include a particular item on the agenda, together with a relevant proposal, must be submitted in writing to the Board no later than 45 days before the meeting and, at the same time, Group shares with an aggregate nominal value of at least CHF 40,000 must be deposited for safekeeping. The shares remain in safekeeping until the day after the AGM.

#### Quorum requirements

The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy, except as discussed below. Resolutions and elections generally require the approval of a majority of the votes represented at the meeting, except as otherwise provided by mandatory provisions of law or by the AoA.

Shareholders' resolutions that require a vote by a majority of the votes represented include:

- amendments to the AoA, unless a supermajority is required;
- election of members of the Board, the Chairman of the Board (Chairman), the members of the Compensation Committee, the independent proxy and statutory auditors;
- approval of the compensation of the members of the Board and the Executive Board;
- approval of the annual report and the statutory and consolidated accounts;
- discharge of the acts of the members of the Board and Executive Board; and
- determination of the appropriation of retained earnings.

A quorum of at least two-thirds of the votes represented is required for resolutions on:

- change of the purpose of the company;
- creation of shares with increased voting powers;
- implementation of transfer restrictions on shares;
- increase in conditional and authorized capital;
- increase of capital by way of conversion of capital surplus or by contribution in kind;
- restriction or suspension of pre-emptive rights;
- change of location of the principal office; and
- dissolution of the company without liquidation.

A quorum of at least half of the total share capital and approval by at least three-quarters of the votes represented is required for resolutions on:

- the conversion of registered shares into bearer shares;
- amendments to the AoA relating to registration and voting rights of nominee holders; and
- the dissolution of the company.

A quorum of at least half of the total share capital and the approval of at least seven-eighths of the votes cast is required for amendments to provisions of the AoA relating to voting rights.

### Say on pay

In accordance with the Swiss Code of Best Practice for Corporate Governance, the Group submitted the compensation report (contained in the Corporate Governance and Compensation section of the Annual Report) for a consultative vote by shareholders at the 2015 AGM. In accordance with the Compensation Ordinance, the Group will submit the following Board and Executive Board compensation recommendations for binding votes by shareholders at the 2016 AGM:

- For the Board: a maximum aggregate amount of compensation to be paid to members of the Board for the period from the 2016 to the 2017 AGM;
- For the Executive Board: an aggregate amount of variable compensation in the form of short-term incentive awards to be awarded to Executive Board members for the 2015 financial year;
- For the Executive Board: a maximum aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2016 to the 2017 AGM; and
- For the Executive Board: a maximum aggregate amount of variable compensation in the form of long-term incentive awards to be granted to Executive Board members for the 2016 financial year.

In line with current practice, the Group will continue to submit the compensation report for a consultative vote by shareholders.

▸ Refer to "Board compensation proposed for approval at the 2016 AGM" and "Executive Board compensation proposed for approval at the 2016 AGM" in Compensation – Board of Directors Compensation and – Executive Board Compensation, respectively, for further information on the binding vote.

### Discharge of the acts of the Board and the Executive Board

According to Swiss law, the AGM has the power to discharge the actions of the members of the Board and the Executive Board. The 2015 AGM granted discharge to the members of the Board and the Executive Board for the 2014 financial year.

### Pre-emptive rights

Under Swiss law, any share issue, whether for cash or non-cash consideration or no consideration, is subject to the prior approval of the shareholders. Shareholders of a Swiss corporation have certain pre-emptive rights to subscribe for new issues of shares in proportion to the nominal amount of shares held. A resolution adopted at a shareholders' meeting with a supermajority may, however, limit or suspend pre-emptive rights in certain limited circumstances.

### Duty to make an offer

Swiss law provides that anyone who, directly or indirectly or acting in concert with third parties, acquires 33⅓% or more of the voting rights of a listed Swiss company, whether or not such rights are exercisable, must make an offer to acquire all of the listed equity securities of such company, unless the AoA of the company provides otherwise. Our AoA does not include a contrary provision. This mandatory offer obligation may be waived under certain circumstances by the Swiss Takeover Board or the Swiss Financial Market Supervisory Authority FINMA (FINMA). If no waiver is granted, the mandatory offer must be made pursuant to procedural rules set forth in the SESTA and the implementing ordinances.

### Clauses on changes in control

To the best of our knowledge, there are no agreements in place that could lead to a change in control of the Group. Subject to certain provisions in the Group's employee compensation plans, which allow for the Compensation Committee or Board to determine the treatment of outstanding awards for all employees, including the Executive Board members, in the case of a change in control, there are no provisions that require the payment of extraordinary benefits in the agreements and plans benefiting members of the Board and the Executive Board or any other members of senior management. Specifically, there are no contractually agreed severance payments in the case of a change in control of the Group.

▸ Refer to "Contract lengths, termination and change in control provision" in Compensation – Executive Board compensation for further information on the clauses on changes in control.

### Borrowing and raising funds

Neither Swiss law nor our AoA restrict our power to borrow and raise funds in any way. The decision to borrow funds is passed by or under the direction of our Board, with no shareholders' resolution required.

### Liquidation

Under Swiss law and our AoA, the Group may be dissolved at any time by a shareholders' resolution which must be passed by:

- a supermajority of at least three-quarters of the votes cast at the meeting in the event the Group were to be dissolved by way of liquidation; and
- a supermajority of at least two-thirds of the votes represented and an absolute majority of the par value of the shares represented at the meeting in other cases.

Dissolution by court order is possible if we become bankrupt. Under Swiss law, any surplus arising out of liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up par value of shares held.

## BOARD OF DIRECTORS

### Membership and qualifications

The AoA provide that the Board shall consist of a minimum of seven members. The Board currently consists of 12 members. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an effective and rapid decision-making process. Board members are elected at the AGM by our shareholders individually for a period of one year and are eligible for re-election. Shareholders will also elect a member of the Board as the Chairman and each of the members of the Compensation Committee for a period of one year. One year of office is understood to be the period of time from one AGM to the close of the next AGM. Members of the Board shall generally retire after having served on the Board for 12 years (previously 15 years).

An overview of the Board and the committee membership is shown in the following table. The composition of the Boards of the Group and the Bank is identical.

### Members of the Board and Board committees

| | Board member since | Independence | Chairman's and Governance Committee | Audit Committee | Compensation Committee | Risk Committee |
|---|---|---|---|---|---|---|
| **December 31, 2015** | | | | | | |
| Urs Rohner, Chairman | 2009 | Independent | Chairman | – | – | – |
| Jassim Bin Hamad J.J. Al Thani | 2010 | Not independent | – | – | – | – |
| Iris Bohnet | 2012 | Independent | – | – | Member | – |
| Noreen Doyle, Vice-Chair, Lead Independent Director | 2004 | Independent | Member | Member | – | – |
| Andreas N. Koopmann | 2009 | Independent | – | – | Member | Member |
| Jean Lanier | 2005 | Independent | Member | | Chairman | – |
| Seraina Maag | 2015 | Independent | – | Member | – | – |
| Kai S. Nargolwala | 2013 | Independent | – | – | Member | Member |
| Severin Schwan | 2014 | Independent | – | – | – | Member |
| Richard E. Thornburgh, Vice-Chair | 2006 | Independent | Member | Member | – | Chairman |
| Sebastian Thrun | 2014 | Independent | – | – | – | Member |
| John Tiner | 2009 | Independent | Member | Chairman | – | Member |

### Board changes

Jean-Daniel Gerber and Anton van Rossum stepped down from the Board at the 2015 AGM and Seraina Maag was elected as a new member of the Board. At the 2016 AGM on April 29, 2016, Sebastian Thrun will not stand for re-election to the Board. Mr. Thrun has been appointed as a senior advisor to the newly established fintech innovation factory "Credit Suisse Labs" and will continue to chair the new Innovation & Technology Committee. The Board proposes that all other current members of the Board be re-elected to the Board at the 2016 AGM, proposes the re-election of Urs Rohner as Chairman and proposes Iris Bohnet, Andreas N. Koopmann, Jean Lanier and Kai S. Nargolwala as members of the Compensation Committee. The Board also proposes the election of Alexander Gut and Joaquin J. Ribeiro to the Board. Mr. Gut is the managing partner at his own corporate finance advisory firm and a director at several Swiss companies. Mr. Ribeiro is currently the vice-chairman of Deloitte LLP (USA) and chairman of Deloitte's Global Financial Services Industry practice.

### Board composition and succession planning

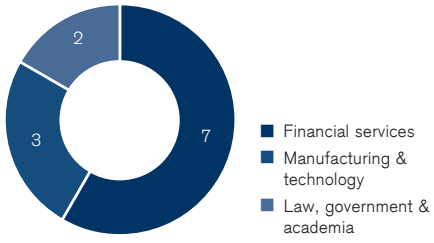
The Chairman's and Governance Committee regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The Chairman's and Governance Committee recruits and evaluates candidates for Board membership based on criteria as set forth by the OGR. The Chairman's and Governance Committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the Chairman's and Governance Committee considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the Chairman's and Governance Committee takes into account independence, diversity, skills and management experience in the context of the needs of the Board to fulfill its responsibilities. The Chairman's and Governance Committee also considers other activities and commitments of an individual in order to be satisfied that a proposed member of the Board can devote enough time to a Board position at the Group.

▸ Refer to "Mandates" for further information.

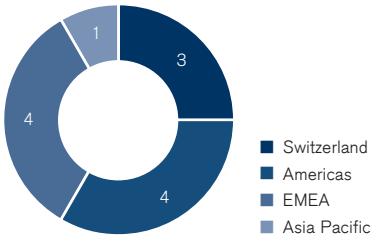
The background, skills and experience of our Board members are diverse and broad and include holding top management positions at financial services and industrial companies in Switzerland and abroad or having held leading positions in government, academia and international organizations. The Board is composed of individuals with diverse experience, geographical origin and tenure.

## Board composition

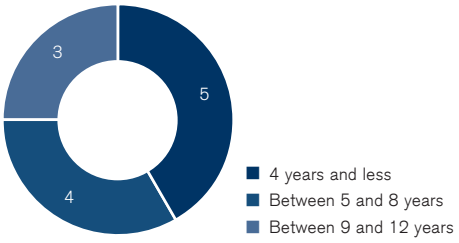
**Industry experience**




**Geographical origin**




**Length of tenure**




To maintain a high degree of diversity and independence in the future, we have a succession planning process in place to identify potential candidates for the Board at an early stage. With this, we are well prepared when Board members rotate off the Board. Besides more formal criteria consistent with legal and regulatory requirements and the Swiss Code of Best Practice for Corporate Governance, we believe that other aspects including team dynamics and personal reputation of Board members play a critical role in ensuring the effective functioning of the Board. This is why we place the utmost importance on the right mix of personalities who are also fully committed to making their blend of specific skills and experience available to the Board.

### New members

Any newly appointed member is required to participate in an orientation program to become familiar with our organizational structure, strategic plans, significant financial, accounting and risk issues and other important matters relating to the governance of the Group. The orientation program is designed to take into account the new Board member's individual background and level of experience in each specific area. Moreover, the program's focus is aligned with any committee memberships of the person concerned. Board members are encouraged to engage in continuing training. The Board and the committees of the Board regularly ask a specialist within the Group to speak about a specific topic to enhance the Board members' understanding of issues that already are, or may become, of particular importance to our business.

### Meetings

In 2015, the Board held six meetings in person and four additional meetings. In addition, the Board held a two-day strategy session.

All members of the Board are expected to spend the necessary time outside of these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management or others to attend the meetings. Generally, the members of the Executive Board attend part of the meetings to ensure effective interaction with the Board. The Board also holds separate private sessions without management present. Minutes are kept of the proceedings and resolutions of the Board.

From time to time, the Board may take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent.

### Meeting attendance

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve.

## Meeting attendance

| | Board of Directors [1] | Chairman's and Governance Committee [2] | Audit Committee [3] | Compensation Committee [4] | Risk Committee [5] |
|---|---|---|---|---|---|
| **in 2015** | | | | | |
| Total number of meetings held | 10 | 22 | 18 | 14 | 6 |
| Number of members who missed no meetings | 10 | 4 | 3 | 2 | 6 |
| Number of members who missed one meeting | 2 | 1 | 2 | 1 | 1 |
| Number of members who missed two or more meetings | 1 | 0 | 1 | 1 | 0 |
| Meeting attendance, in % | 93 | 98 | 92 | 95 | 97 |

[1] The Board consisted of 13 and 12 members as of the beginning of the year and the end of the year, respectively, with 1 member joining the Board and 2 members leaving the Board as of the 2015 AGM.
[2] The Chairman's and Governance Committee consisted of five members as of the beginning and the end of the year. Meeting attendance was approximated in this case, due to some meetings of the Chairman's and Governance Committee being called on an ad hoc basis, for which no attendance was taken.
[3] The Audit Committee consisted of five members as of the beginning of the year and four members at the end of the year.
[4] The Compensation Committee consisted of four members as of the beginning and the end of the year.
[5] The Risk Committee consisted of seven members as of the beginning of the year and six members at the end of the year.

### Mandates

Our Board members and Executive Board members may assume board or executive level or other roles in companies and organizations outside of the Group, which are collectively referred to as mandates. The Compensation Ordinance sets out that companies must include provisions in their articles of association to define the activities that fall within the scope of a mandate and set limits on the number of mandates that board members and executive management may hold. According to the Group's AoA, mandates include activities in the most senior executive and management bodies of listed companies and all other legal entities that are obliged to obtain an entry in the Swiss commercial register or a corresponding foreign register.

Board mandates are limited as follows:

- Each member of the Board may assume no more than four other mandates in listed companies; and
- Each member of the Board may assume no more than five mandates in other legal entities, including private non-listed companies.

Executive Board mandates are limited as follows:

- Each member of the Executive Board may assume no more than one other mandate in a listed company; and
- Each member of the Executive Board may assume no more than two other mandates in other legal entities.

The following mandates are exempt from this restriction:

- mandates in legal entities controlled by the Group, such as subsidiary boards;
- mandates in legal entities that are exercised on behalf of the Group, such as business and industry associations; and
- honorary mandates in charitable legal entities.

Board and Executive Board members are each permitted to exercise a maximum of ten mandates on behalf of the Group and a maximum of ten honorary mandates in charitable legal entities.

No Board or Executive Board member holds mandates in excess of the restrictions described above.

▸ Refer to "Audit Committee" in Board committees for further information on limits on Audit Committee service.

### Independence

The Board consists solely of non-executive directors within the Group, of which at least the majority must be determined to be independent. In its independence determination, the Board takes into account the factors set forth in the OGR, the committee charters and applicable laws and listing standards. Our independence standards are also periodically measured against other emerging best practice standards.

The Chairman's and Governance Committee performs an annual assessment of the independence of each Board member and reports its findings to the Board for the final determination of independence of each individual member. The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance, ⊙ FINMA and the rules of the NYSE and Nasdaq in determining the definition of independence. In general, a director is considered independent if the director:

- is not, and has not been for the prior three years, employed as an executive officer of the Group or any of its subsidiaries;
- is not, and has not been for the prior three years, an employee or affiliate of our external auditor; and
- does not maintain a material direct or indirect business relationship with the Group or any of its subsidiaries.

Whether or not a relationship between the Group or any of its subsidiaries and a member of the Board is considered material depends in particular on the following factors:

- the volume and size of any transactions concluded in relation to the financial status and credit standing of the Board member concerned or the organization in which he or she is a partner, significant shareholder or executive officer;
- the terms and conditions applied to such transactions in comparison to those applied to transactions with counterparties of a similar credit standing;
- whether the transactions are subject to the same internal approval processes and procedures as transactions that are concluded with other counterparties;
- whether the transactions are performed in the ordinary course of business; and
- whether the transactions are structured in such a way and on such terms and conditions that the transaction could be concluded with a third party on comparable terms and conditions.

Moreover, a Board member is not considered independent if the Board member is, or has been at any time during the prior three years, part of an interlocking directorate in which a member of the Executive Board serves on the compensation committee of another company that employs the Board member. The length of tenure a Board member has served is not a criterion for independence. Significant shareholder status is also not considered a criterion for independence unless the shareholding exceeds 10% of the Group's share capital. Board members with immediate family members who would not qualify as independent are also not considered independent.

Board members serving on the Audit Committee are subject to independence requirements in addition to those required of other Board members. None of the Audit Committee members may be an affiliated person of the Group or may, directly or indirectly, accept any consulting, advisory or other compensatory fees from us other than their regular compensation as members of the Board and its committees.

For Board members serving on the Compensation Committee, the independence determination considers all factors relevant to determining whether a director has a relationship with the Group that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to:

- the source of any compensation of the Compensation Committee member, including any consulting, advisory or other compensatory fees paid by the Group to such director; and
- whether the Compensation Committee member is affiliated with the Group, any of its subsidiaries or any affiliates of any of its subsidiaries.

While the Group is not subject to such standards, the Board acknowledges that some proxy advisors apply different standards for assessing the independence of our Board members, including the length of tenure a Board member has served, annual compensation levels of Board members within a comparable range to executive pay or a Board member's former executive status further back than three years.

**Independence determination**

As of December 31, 2015, 11 members of the Board were determined by the Board to be independent.

At the time of his election to the Board in 2010, Mr. Bin Hamad J.J. Al Thani was determined not to be independent due to the scope of various business relationships between the Group and Qatar Investment Authority (QIA), a state-owned company that has close ties to the Al Thani family, and between the Group and the Al Thani family. The Group has determined that these various business relationships could constitute a material business relationship.

**Board leadership**

**Chairman of the Board**

The Chairman is a non-executive member of the Board, in accordance with Swiss banking law, and performs his role on a full-time basis, in line with the practice expected by FINMA, our main regulator. The Chairman:

- coordinates the work within the Board;
- works with the committee chairmen to coordinate the tasks of the committees;
- ensures that the Board members are provided with the information relevant for performing their duties;
- drives the Board agenda;
- drives key Board topics, especially regarding the strategic development of the Group, succession planning, the structure and organization of the Group, corporate governance, as well as compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board;
- chairs the Board, the Chairman's and Governance Committee and the Shareholder Meetings;
- takes an active role in representing the Group to key shareholders, investors, regulators and supervisors, industry associations and other stakeholders;
- has no executive function within the Group;
- with the exception of the Chairman's and Governance Committee, is not a member of any of the Board's standing committees; and
- may attend all or parts of selected committee meetings as a guest without voting power.

### Vice-Chair

The Vice-Chair:

- is a member of the Board;
- is a designated deputy to the Chairman;
- assists the Chairman by providing support and advice to the Chairman, assuming the Chairman's role in the event of the Chairman's absence or indisposition and leading the Board accordingly; and
- there may be one or more Vice-Chairs.

As of the date of the 2014 AGM, Noreen Doyle and Richard E. Thornburgh were appointed as Vice-Chairs.

### Lead Independent Director

According to the Group's OGR, the Board may appoint a Lead Independent Director. If the Chairman is determined not to be independent by the Board, the Board must appoint a Lead Independent Director. The Lead Independent Director:

- may convene meetings without the Chairman being present;
- takes a leading role among the Board members, particularly when issues between a non-independent Chairman and the independent Board members arise (for example, when the non-independent Chairman has a conflict of interest);
- leads the Board's annual assessment of the Chairman; and
- ensures that the work of the Board and Board-related processes continue to run smoothly.

As of the date of the 2014 AGM, Noreen Doyle was appointed as the Lead Independent Director.

## Segregation of duties

In accordance with Swiss banking law, the Group operates under a dual board structure, which strictly segregates the duties of supervision, which are the responsibility of the Board, from the duties of management, which are the responsibility of the Executive Board. The roles of the Chairman (non-executive) and the CEO (executive) are separate and carried out by two different people.

## Board responsibilities

In accordance with the OGR, the Board delegates certain tasks to Board committees and delegates the management of the company and the preparation and implementation of Board resolutions to certain management bodies or executive officers to the extent permitted by law, in particular Article 716a and 716b of the Swiss Code of Obligations, and the AoA.

With responsibility for the overall direction, supervision and control of the company, the Board:

- regularly assesses our competitive position and approves our strategic and financial plans;
- receives a status report at each ordinary meeting on our financial results, capital, funding and liquidity situation;
- receives, on a monthly basis, management information packages, which provide detailed information on our performance and financial status, as well as quarterly risk reports outlining recent developments and outlook scenarios;
- is provided by management with regular updates on key issues and significant events, as deemed appropriate or requested;
- has access to all information concerning the Group in order to appropriately discharge its responsibilities;
- reviews and approves significant changes in our structure and organization;
- is actively involved in significant projects including acquisitions, divestitures, investments and other major projects; and
- along with its committees, is entitled, without consulting with management and at the Group's expense, to engage external legal, financial or other advisors, as they deem appropriate, with respect to any matters within its authority.

## Governance of Group subsidiaries

The Board assumes oversight responsibility for establishing appropriate governance for Group subsidiaries. The governance of the Group is based on the principles of an integrated oversight and management structure with global scope. The Group sets corporate governance standards to allow for an efficient and harmonized steering of the Group. In accordance with the OGR, the Board appoints or dismisses the chairperson and the members of the board of directors of the major subsidiaries of the Group and approves their compensation. A policy naming the subsidiaries in scope and providing guidelines for the nomination and compensation process is reviewed by the Board on an annual basis. The governance of the major subsidiaries, subject to compliance with all applicable local laws and regulations, should be consistent with the corporate governance principles of the Group, as reflected in the OGR and other corporate governance documents. Directors and officers of the Group and its major subsidiaries are committed to ensuring transparency and collaboration throughout the Group.

## Board evaluation

The Board performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the Board's objectives and determines future objectives, including any special focus objectives for the coming year. The Chairman does not participate in the discussion of his own performance. As part of the self-assessment, the Board evaluates its effectiveness with respect to a number of different aspects, including board structure and composition, communication and reporting, agenda setting and continuous improvement. From time to time, the Board may also mandate an external advisor to facilitate the evaluation process.

## BOARD COMMITTEES

The Board has four standing committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee as well as one advisory committee, the Innovation & Technology Committee, which is currently being established. Except for the Compensation Committee members who are elected by the shareholders on an annual basis, the committee members are appointed by the Board for a term of one year.

At each Board meeting, the committee chairmen report to the Board about the activities of the respective committees. In addition, the minutes and documentation of the committee meetings are accessible to all Board members.

Each committee has its own charter, which has been approved by the Board. Each standing committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the committee's objectives and determines any special focus objectives for the coming year.

### Chairman's and Governance Committee

The Chairman's and Governance Committee consists of the Chairman, the Vice-Chairs and the chairmen of the committees of the Board and other members appointed by the Board. It may include non-independent Board members. Our Chairman's and Governance Committee currently consists of five members, all of whom are independent.

The Chairman's and Governance Committee generally meets on a monthly basis and the meetings are also attended by the CEO. It is at the Chairman's discretion to ask other members of management or specialists to attend a meeting.

The Chairman's and Governance Committee:

- acts as an advisor to the Chairman and supports him in the preparation of the Board meetings;
- is responsible for the development and review of corporate governance guidelines, which are then recommended to the Board for approval;
- at least once annually, evaluates the independence of the Board members and reports its findings to the Board for final determination;
- is responsible for identifying, evaluating, recruiting and nominating new Board members in accordance with the Group's internal criteria, subject to applicable laws and regulations;
- guides the Board's annual performance assessment of the Chairman, the CEO and the members of the Executive Board;
- proposes to the Board the appointment, promotion, dismissal or replacement of members of the Executive Board; and
- reviews succession plans for senior executive positions in the Group with the Chairman and the CEO.

#### 2015 activities

During 2015, the activities of the Chairman's and Governance Committee were particularly focused on the CEO succession process and facilitating a smooth transition from former CEO Brady Dougan to the new CEO Tidjane Thiam. The Chairman's and Governance Committee provided guidance to and supported the Chairman in setting the priorities for the Board's annual strategy session in 2015. Furthermore, the Chairman's and Governance Committee initiated some changes with respect to the corporate governance for the Group's main subsidiaries, including recommending that Board member Richard E. Thornburgh serve as the non-executive chair of Credit Suisse Holdings (USA) Inc. The Chairman's and Governance Committee also assessed potential new Board Member candidates during 2015 and recommended that Alexander Gut and Joaquin J. Ribeiro be proposed as new Board Members for election at the 2016 AGM.

### Audit Committee

The Audit Committee consists of at least three members, all of whom must be independent. The chairman of the Risk Committee is generally appointed as one of the members of the Audit Committee. Our Audit Committee currently consists of four members, all of whom are independent.

The Audit Committee charter stipulates that all Audit Committee members must be financially literate. In addition, they may not serve on the Audit Committee of more than two other companies, unless the Board deems that such membership would not impair their ability to serve on our Audit Committee.

Furthermore, the US Securities and Exchange Commission (SEC) requires disclosure about whether a member of the Audit Committee is an audit committee financial expert within the meaning of SOX. The Board has determined that John Tiner is an audit committee financial expert.

Pursuant to its charter, the Audit Committee holds meetings at least once each quarter, prior to the publication of our consolidated financial statements. Typically, the Audit Committee convenes for a number of additional meetings and workshops throughout the year. The meetings are attended by management representatives, as appropriate, the Head of Internal Audit and senior representatives of the external auditor. A private session with Internal Audit and the external auditors is regularly scheduled to provide them with an opportunity to discuss issues with the Audit Committee without management being present. The Head of Internal Audit reports directly to the Audit Committee chairman.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

- monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;
- monitoring the adequacy of the financial accounting and reporting processes and the effectiveness of internal controls over financial reporting;
- monitoring processes designed to ensure compliance by the Group in all significant respects with legal and regulatory requirements, including disclosure controls and procedures;
- monitoring the adequacy of the management of operational risks jointly with the Risk Committee, including assessing the

effectiveness of internal controls that go beyond the area of financial reporting;
- monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee; and
- monitoring the qualifications, independence and performance of the external auditors and of Internal Audit.

The Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigation matters as well as significant regulatory and compliance matters. The Audit Committee also oversees the work of our external auditor and pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services. For this purpose, it has developed and approved a policy that is designed to help ensure that the independence of the external auditor is maintained at all times. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. The external auditor is required to report periodically to the Audit Committee about the scope of the services it has provided and the fees for the services it has performed to date. Furthermore, the Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including a whistleblower hotline to provide the option to report complaints on a confidential, anonymous basis.

#### 2015 activities

In addition to its regular review of the quarterly and annual financial results and related accounting and reporting matters, the Audit Committee focused on a number of other topics during 2015. These included monitoring progress on key compliance and internal control topics, such as our US compliance program, global client tax compliance programs, control measures implemented to reduce unauthorized trading risk and the processes in place for addressing disciplinary issues. The Audit Committee also received a detailed briefing by management on the litigation provisioning process. Two key areas that the Audit Committee reviewed jointly with the Risk Committee in 2015 were the implementation of the Group's Operational Risk framework and the effectiveness of the programs in place to address IT security threats, including cyber security readiness. The Audit Committee was updated regularly by the Head of Internal Audit on key audit findings and held a dedicated workshop with the Internal Audit senior leadership team in order to engage with Internal Audit in a more in-depth manner about their risk assessments for the organization and emerging risk and control themes. In the fourth quarter of 2015, the Audit Committee particularly focused on changes to the Group's financial reporting structure and consequences resulting from the new strategy, as well as the set-up and priorities for the newly established Compliance and Regulatory Affairs function.

### Compensation Committee

The Compensation Committee consists of at least three members of the Board, all of whom must be independent. Our Compensation Committee currently consists of four members, all of whom are independent.

Pursuant to its charter, the Compensation Committee holds at least four meetings per year. Additional meetings may be scheduled at any time. The meetings are attended by management representatives, as appropriate.

The Compensation Committee's duties and responsibilities include:
- reviewing the Group's compensation policy;
- establishing new compensation plans or amending existing plans and recommending them to the Board for approval;
- reviewing the performance of the businesses and the respective management teams and determining and/or recommending to the Board for approval the overall variable compensation pools;
- proposing individual compensation for the Board members to the Board;
- recommending to the Board a proposal for the CEO's compensation;
- based on proposals by the CEO, discussing and recommending to the Board the Executive Board members' compensation; and
- reviewing and recommending to the Board the compensation for individuals being considered for an Executive Board position.

In accordance with the Compensation Ordinance, all compensation proposals for members of the Board and the Executive Board are subject to AGM approval.

The Compensation Committee is authorized to retain outside advisors, at the Group's expense, for the purpose of providing guidance to the Compensation Committee as it carries out its responsibilities. Prior to their appointment, the Compensation Committee conducts an independence assessment of the advisors pursuant to the rules of the SEC and the listing standards of the NYSE and the Nasdaq.

#### 2015 activities

In light of the changes in the Group's organizational and leadership structure, one of the main focus areas for the Compensation Committee during 2015 was reviewing the level and form of compensation for the Executive Board and recommending appropriate amendments to ensure alignment with the Group's new strategic direction. Another important topic for the Compensation Committee was the preparation for the binding shareholder votes on Board and Executive Board compensation, which were conducted for the first time at the 2015 AGM. The Compensation Committee also reviewed the involvement of the risk management function in the compensation process, in line with regulatory guidance. Other focus areas for the Compensation Committee in 2015 included regularly monitoring global regulatory and market trends with

respect to compensation at financial institutions and reviewing the approach for compensating employees subject to specific regulations, such as Capital Requirements Directive (CRD) IV. Furthermore, the Compensation Committee monitored the link between employee behavior and compensation levels, including any impact of employee misconduct on compensation and the application of clawback and malus provisions.

▸ Refer to "Compensation Committee" in Compensation – Group compensation for information on our compensation approach, principles and objectives and outside advisors.

**Risk Committee**

The Risk Committee consists of at least three members. It may include non-independent members. The chairman of the Audit Committee is generally appointed as one of the members of the Risk Committee. Our Risk Committee currently consists of six members, all of whom are independent.

Pursuant to its charter, the Risk Committee holds at least four meetings a year. In addition, the Risk Committee usually convenes for additional meetings throughout the year in order to appropriately discharge its responsibilities. The meetings are attended by management representatives, as appropriate.

The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits. The main duties and responsibilities of the Risk Committee include:

- reviewing and assessing the integrity and adequacy of the risk management function of the Group, in particular as it relates to market, credit and liquidity and funding risks;
- reviewing the adequacy of the Group's capital and its allocation to the Group's businesses;
- reviewing certain risk limits and regular risk reports and making recommendations to the Board;
- reviewing and assessing the Group's risk appetite framework;
- reviewing and assessing the adequacy of the management of reputational risks, jointly with the Audit Committee;
- reviewing and assessing the adequacy of the management of operational risks, including the adequacy of the internal control system jointly with the Audit Committee; and
- reviewing the Group's policy in respect of corporate responsibility and sustainable development.

The Risk Committee is regularly informed about major initiatives aimed at responding to regulatory change and further improving risk management across the Group, including organizational changes, changes to risk measurement methods and upgrades to risk systems infrastructure.

**2015 activities**

In addition to its regular review of the Group's risk framework and risk appetite, the Risk Committee conducted risk reviews during 2015 in a number of different business and risk management areas, including capital and liquidity risk management, model risk management and selected business reviews. The Risk Committee also reviewed changes being implemented in the Group's legal entity structure, including funding plans for subsidiaries and, jointly with the Audit Committee, the status of the supporting technology and operations infrastructure. Throughout 2015, the Risk Committee was regularly updated on the bank's risk infrastructure program and monitored progress towards complying with the Basel Committee on Banking Supervision 239 – Principles for effective risk data aggregation and risk reporting. Furthermore, the Risk Committee oversaw various regulatory change programs being implemented in line with regulatory expectations.

**Innovation & Technology Committee**

The Innovation & Technology Committee is a new Board advisory committee that is currently being established. In its advisory capacity, the Innovation & Technology Committee is to assist the Board in monitoring and promoting innovation. It further advises the Board with respect to leveraging technological change and innovative digital technologies as key drivers of business growth. The Innovation & Technology Committee may engage with management and external experts, as appropriate, about major innovation and technology-related initiatives. The Innovation & Technology Committee is chaired by Sebastian Thrun.

## BIOGRAPHIES OF THE BOARD MEMBERS



**Urs Rohner**
Born 1959
Swiss Citizen

Board member since 2009

Chairman of the Board

### Professional history

| | |
|---|---|
| 2004–present | Credit Suisse |
| | Chairman of the Board and the Chairman's and Governance Committee (2011–present) |
| | Vice-Chair of the Board and member of the Chairman's and Governance Committee (2009–2011) |
| | Member of the Risk Committee (2009–2011) |
| | Chief Operating Officer (2006–2009) |
| | General Counsel (2004–2009) |
| | Member of the Executive Board (2004–2009) |
| 2000–2004 | ProSiebenSat.1 Media AG, Chairman of the Executive Board and CEO |
| 1983–1999 | Lenz & Staehelin |
| | Partner (1992–1999) |
| | Attorney (1983–1988; 1990–1992) |
| 1988–1989 | Sullivan & Cromwell LLP, New York, attorney |

### Education

| | |
|---|---|
| 1990 | Admission to the bar of the State of New York |
| 1986 | Admission to the bar of the Canton of Zurich |
| 1983 | Master in Law (lic.iur.), University of Zurich, Switzerland |

### Other activities and functions

GlaxoSmithKline plc, board member
Swiss Bankers Association, governing board member
Swiss Finance Council, board member
Institute of International Finance, board member
European Banking Group, member
European Financial Services Roundtable, member
University of Zurich Department of Economics, chairman of the advisory board
Lucerne Festival, board of trustees member

Mr. Rohner also serves as a board, advisory board or board of trustees member in other Swiss and international organizations, including: Economiesuisse, Avenir Suisse, Alfred Escher Foundation, International Institute for Management Development (IMD), Swiss University Sports Foundation, Institute International d'Etudes Bancaire and the International Business Leaders Advisory Council of the Mayor of Beijing.



**Jassim Bin Hamad J.J. Al Thani**
Born 1982
Qatari Citizen

Board member since 2010

### Professional history

| | |
|---|---|
| 2010–present | Credit Suisse |
| | Member of the Board |
| 2004–present | Qatar Islamic Bank |
| | Chairman of the board (2005–present) |
| | Member of the board (2004–present) |
| 1998–present | Al Mirqab Capital LLC |
| | CEO (2007–present) |
| | Member of senior management (1998–2007) |

### Education

| | |
|---|---|
| 1998 | Graduated as an Officer Cadet from the Royal Military Academy in England |

### Other activities and functions

Q-RE LLC, chairman
Damaan Islamic Insurance Co. (BEEMA), chairman
QInvest, chairman
Qatar Insurance Company, board member
Qatar Navigation (Milaha), board member



**Iris Bohnet**
Born 1966
Swiss Citizen

Board member since 2012

### Professional history

| | |
|---|---|
| 2012–present | Credit Suisse |
| | Member of the Compensation Committee (2012–present) |
| 1998–present | Harvard Kennedy School |
| | Director of the Women and Public Policy Program (2008–present) |
| | Professor of public policy (2006–present) |
| | Academic dean (2011–2014) |
| | Associate professor of public policy (2003–2006) |
| | Assistant professor of public policy (1998–2003) |
| 1997–1998 | Haas School of Business, University of California at Berkeley, visiting scholar |

### Education

| | |
|---|---|
| 1997 | Doctorate in Economics, University of Zurich, Switzerland |
| 1992 | Master's degree in Economic History, Economics and Political Science, University of Zurich, Switzerland |

### Other activities and functions

Economic Dividends for Gender Equality (EDGE), advisory board member
Global Agenda Council on Behavior, member
University of Lucerne, board member
Negotiations Center, University of Texas at Dallas, board member
Decision Making and Negotiations Journal, advisory board member
Vienna University of Economics and Business Administration, advisory board member



**Noreen Doyle**
Born 1949
Irish and US Citizen

Board member since 2004

Vice-Chair of the Board
Lead Independent Director

### Professional history

| | |
|---|---|
| 2004–present | Credit Suisse |
| | Vice-Chair and Lead Independent Director of the Board (2014–present) |
| | Member of the Chairman's and Governance Committee (2014–present) |
| | Member of the Audit Committee (2014–present; 2007–2009) |
| | Non-executive director of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries, 2011–present); chair of the boards (2013–present); and chair of the audit committees (2011–2012) |
| | Member of the Risk Committee (2009–2014; 2004–2007) |
| 1992–2005 | European Bank for Reconstruction and Development (EBRD) |
| | First vice president and head of banking (2001–2005) |
| | Deputy vice president finance and director of risk management (1997–2001) |
| | Chief credit officer and director of syndications (1994–1997) |
| | Head of syndications (1992–1994) |
| Prior to 1992 | Bankers Trust Company, Houston, New York and London |
| | Managing director, European Structured Sales (1990–1992) |
| | Various positions at management level |

### Education

| | |
|---|---|
| 1974 | MBA in Finance, Tuck at Dartmouth College, New Hampshire |
| 1971 | BA in Mathematics, The College of Mount Saint Vincent, New York |

### Other activities and functions

Newmont Mining Corporation, vice-chair
British Bankers' Association (BBA), chair
UK Panel on Takeovers and Mergers, member
Tuck European Advisory Board, member
Women in Banking and Finance in London, patron
Marymount International School, London, chair of the board of governors
Sarita Kenedy East Foundation, trustee



**Andreas N. Koopmann**
Born 1951
Swiss and French Citizen

**Board member since 2009**

### Professional history

| | |
|---|---|
| 2009–present | Credit Suisse |
| | Member of the Compensation Committee (2013–present) |
| | Member of the Risk Committee (2009–present) |
| 1982–2009 | Bobst Group S.A., Lausanne |
| | Group CEO (1995–2009) |
| | Member of the board (1998–2002) |
| | Executive Vice President (1994–1995) |
| | Member of the Group Executive Committee, head of manufacturing (1991–1994) |
| | Management positions in engineering and manufacturing (1982–1991) |
| Prior to 1982 | Bruno Piatti AG and Motor Columbus AG, various positions |

### Education

| | |
|---|---|
| 1978 | MBA, International Institute for Management Development, Switzerland |
| 1976 | Master's degree in Mechanical Engineering, Swiss Federal Institute of Technology, Switzerland |

### Other activities and functions

Nestlé SA, board member and vice-chairman
Georg Fischer AG, chairman of the board
CSD Group, board member
Sonceboz SA, board member
Economiesuisse, board member
EPFL, Lausanne, Switzerland, strategic advisory board member
EPFL+ Foundation, member of the board of trustees



**Jean Lanier**
Born 1946
French Citizen

**Board member since 2005**

### Professional history

| | |
|---|---|
| 2005–present | Credit Suisse |
| | Chairman of the Compensation Committee (2013–present) |
| | Member of the Chairman's and Governance Committee (2013–present) |
| | Member of the Compensation Committee (2011–present) |
| | Member of the Audit Committee (2005–2015) |
| 1990–2004 | Euler Hermes Group, Paris |
| | Chairman of the managing board and group CEO (1998–2004) |
| | Chairman of the boards of principal subsidiaries (1998–2004) |
| | Managing director of Euler Group (1997–1998) |
| | COO and managing director of SFAC (subsequently Euler Hermes SFAC) (1990–1997) |
| Prior to 1990 | Pargesa Group, Paris and Geneva, managing director |
| | Lambert Brussells Capital Corporation, New York, president |
| | Paribas Group, various positions, among others: senior vice president of the finance division and senior executive for North America |

### Education

| | |
|---|---|
| 1970 | Master of Science in Operations Research and Finance, Cornell University, New York |
| 1969 | Master's degree in Engineering, Ecole Centrale des Arts et Manufactures, Paris |

### Other activities and functions

Swiss RE Europe SA, Swiss RE International SE and Swiss RE Europe Holdings SA (subsidiaries of Swiss Re AG), chairman of the board
La Fondation Internationale de l'Arche, chairman of the board
Friends of l'Arche Long Island, chairman of the board
Association Jean Vanier, board member



**Seraina Maag**
Born 1968
Australian and Swiss Citizen

**Board member since 2015**

### Professional history

| | |
|---|---|
| 2015–present | Credit Suisse |
| | Member of the Audit Committee (2015–present) |
| 2013–2016 | AIG Corporation |
| | CEO and President of AIG EMEA (2013–2016) |
| 2010–2013 | XL Insurance North America, chief executive |
| 2002–2010 | Zurich Financial Services |
| | CFO Specialties Unit (2007–2010); |
| | Various positions, among others: head of the joint investor relations and rating agencies management departments; head of rating agencies management; senior investor relations officer (2002–2008) |
| 2000–2002 | NZB Neue Zuercher Bank, founding partner and financial analyst |
| 1990–2000 | Swiss Re |
| | Rating agency coordinator, Swiss Re Group (2000) |
| | Senior underwriter and deputy head of financial products (1996–1999) |
| | Various senior positions in Zurich and Melbourne (1990–1996) |

### Education

| | |
|---|---|
| 2001 | Chartered Financial Analyst (CFA), CFA Institute, US |
| 1999 | MBA, Monash Mt Eliza Business School, Australia |
| 1997 | Post-graduate certificate in Management, Deakin University, Australia |

### Other activities and functions

Association of Professional Insurance Women, member

Food Bank for New York City, board member



**Kai S. Nargolwala**
Born 1950
Singapore Citizen

**Board member since 2013**

### Professional history

| | |
|---|---|
| 2008–present | Credit Suisse |
| | Member of the Compensation Committee (2014–present) |
| | Member of the Risk Committee (2013–present) |
| | Non-executive chairman of Credit Suisse's Asia-Pacific region (2010–2011) |
| | Member of the Executive Board (2008–2010) |
| | CEO of Credit Suisse Asia Pacific region (2008–2010) |
| 1998–2007 | Standard Chartered plc, main board executive director |
| Prior to 1998 | Bank of America |
| | Group executive vice president and head of Asia Wholesale Banking group in Hong Kong (1990–1995) |
| | Head of High Technology Industry group in San Francisco and New York (1984–1990) |
| | Various management and other positions in the UK, the US and Asia (1976–1984) |
| | Peat Marwick Mitchell & Co., London, accountant (1970–1976) |

### Education

| | |
|---|---|
| 1974 | Fellow of the Institute of Chartered Accountants (FCA), England and Wales |
| 1969 | BA in Economics, University of Delhi |

### Other activities and functions

Prudential plc, member of the board

Prudential Corporation Asia Limited, director and non-executive chairman

PSA International Pte. Ltd. Singapore, board member

Clifford Capital Pte. Ltd., director and non-executive chairman

Monetary Authority of Singapore, Singapore Capital Markets Committee member

Casino Regulatory Authority in Singapore, board member

Duke-NUS Graduate Medical School, Singapore, chairman of the governing board



**Severin Schwan**
Born 1967
Austrian and German Citizen

Board member since 2014

### Professional history

| | |
|---|---|
| 2014–present | Credit Suisse |
| | Member of the Risk Committee (2014–present) |
| 1993–present | Roche Group |
| | CEO (2008–present) |
| | CEO, Division Roche Diagnostics (2006–2008) |
| | Head Asia Pacific Region, Roche Diagnostics Singapore (2004–2006) |
| | Head Global Finance & Services, Roche Diagnostics Basel (2000–2004) |
| | Various management and other positions with Roche Germany, Belgium and Switzerland (1993–2000) |

### Education

| | |
|---|---|
| 1993 | Doctor of Law, University of Innsbruck, Austria |
| 1991 | Master's degrees in Economics and Law, University of Innsbruck, Austria |

### Other activities and functions

Roche Holding Ltd., board member

International Business Leaders Advisory Council for the Mayor of Shanghai, member



**Richard E. Thornburgh**
Born 1952
US Citizen

Board member since 2006

Vice-Chair of the Board

### Professional history

| | |
|---|---|
| 2006–present | Credit Suisse |
| | Vice-Chair (2014–present) |
| | Member of the Audit Committee (2011–present) |
| | Chairman of the Risk Committee (2009–present) |
| | Member of the Chairman's and Governance Committee (2009–present) |
| | Member of the Risk Committee (2006–present) |
| | Non-executive director and chair of Credit Suisse Holdings (USA), Inc. (US subsidiary) (2015–present) |
| | Non-executive director of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries) (2013–present) |
| 2006–2015 | Corsair Capital LLC, New York, vice-chairman |
| Prior to 2006 | Credit Suisse |
| | Member of the Group Executive Board in various executive roles including Group CRO, Group CFO and CFO Investment Banking (1997–2005) |
| | Chief financial and administrative officer and member of the executive board of Credit Suisse First Boston (1995–1996) |
| | Began investment banking career in New York with The First Boston Corporation (predecessor firm of Credit Suisse First Boston) |

### Education

| | |
|---|---|
| 2009 | Honorary Doctorate, Commercial Sciences, University of Cincinnati, Ohio |
| 1976 | MBA in Finance, Harvard University, Cambridge, Massachusetts |
| 1974 | BBA in Finance, University of Cincinnati, Ohio |

### Other activities and functions

Corsair Capital LLC, investment committee member

McGraw Hill Financial Inc., board member

CapStar Bank, board member

New Star Financial Inc., board member and lead director

St. Xavier High School, trustee and finance committee chair

University of Cincinnati, investment committee member



**Sebastian Thrun**
Born 1967
German and US Citizen

Board member since 2014

### Professional history

| | |
|---|---|
| 2014–present | Credit Suisse |
| | Member of the Risk Committee (2014–present) |
| 2012–present | Udacity, co-founder and CEO |
| 2007–2014 | Google Corporation, Google Fellow and vice president |
| 2003–present | Stanford University |
| | Research Professor (2011–present) |
| | Professor (2003–2011) |
| 1995–2003 | Carnegie Mellon University, Associate Professor |

### Education

| | |
|---|---|
| 2015 | Honorary Doctorate, Delft University of Technology, Netherlands |
| 1995 | Doctorate in Computer Science and Statistics, University of Bonn, Germany |
| 1993 | Masters in Computer Science, University of Bonn, Germany |
| 1988 | Degree in Computer Science, University of Hildesheim, Germany |

### Other activities and functions

Veritas Technologies LLC, director

Snitch, Inc., director

Robotics Science and Systems Foundation, member and treasurer



**John Tiner**
Born 1957
British Citizen

Board member since 2009

### Professional history

| | |
|---|---|
| 2009–present | Credit Suisse |
| | Chairman of the Audit Committee (2011–present) |
| | Member of the Chairman's and Governance Committee (2011–present) |
| | Member of the Risk Committee (2011–present) |
| | Member of the Audit Committee (2009–present) |
| | Non-executive director of Credit Suisse Holdings (USA), Inc. (US subsidiary) (2015–present) |
| 2008–2013 | Resolution Operations LLP, CEO |
| 2001–2007 | Financial Services Authority (FSA) |
| | CEO (2003–2007) |
| | Managing director of the investment, insurance and consumer directorate (2001–2003) |
| Prior to 2001 | Arthur Andersen, UK |
| | Managing partner, UK Business Consulting (1997–2001) |
| | Managing partner, Worldwide Financial Services practice (1997–2001) |
| | Head of UK Financial Services practice (1993–1997) |
| | Partner in banking and capital markets (1988–1997) |
| | Auditor and consultant, Tansley Witt (later Arthur Andersen UK) (1976–1988) |

### Education

| | |
|---|---|
| 2010 | Honorary Doctor of Letters, Kingston University, London |
| 1980 | UK Chartered Accountant, Institute of Chartered Accountants in England and Wales |

### Other activities and functions

Towergate Insurance, chairman

Tilney Bestinvest, board member

Corsair Capital LLC, advisory board member

The Urology Foundation, chairman

**Honorary Chairman of Credit Suisse Group AG**
**Rainer E. Gut** Born 1932, Swiss Citizen
Rainer E. Gut was appointed Honorary Chairman of the Group in 2000 after he retired as Chairman, a position he had held from 1986 to 2000. Mr. Gut was a member of the board of Nestlé SA, Vevey, from 1981 to 2005, where he was vice-chairman from 1991 to 2000 and chairman from 2000 to 2005.

As Honorary Chairman, Mr. Gut does not have any function in the governance of the Group and does not attend the meetings of the Board.

**Secretaries of the Board**
**Pierre Schreiber**
**Joan E. Belzer**

## EXECUTIVE BOARD

The Executive Board is responsible for the day-to-day operational management of the Group. It develops and implements the strategic business plans for the Group overall as well as for the principal businesses, subject to approval by the Board. It further reviews and coordinates significant initiatives, projects and business developments in the divisions and the corporate functions and establishes Group-wide policies.

The composition of the Executive Board of the Group and the Bank is identical.

### Recent developments

On March 10, 2015, we announced the Board's appointment of Tidjane Thiam as the new CEO of the Group. He took over this position from Brady W. Dougan, who stepped down at the end of June 2015, after eight years as the CEO of the Group.

Effective October 21, 2015, the Board appointed six new members of the Executive Board: Pierre-Olivier Bouée as Chief Operating Officer; Peter Goerke as Head of Human Resources, Communications & Branding; Thomas P. Gottstein as CEO Swiss Universal Bank; Iqbal Khan as CEO International Wealth Management; Helman Sitohang as CEO Asia Pacific; and Lara J. Warner as Chief Compliance and Regulatory Affairs Officer. Also effective October 21, 2015, the following individuals stepped down from the Executive Board: Gaël de Boissard, Hans-Ulrich Meister, Robert S. Shafir and Pamela A. Thomas-Graham.

The size of the Executive Board increased from ten to twelve members during 2015.

### Members of the Executive Board

| | Executive Board member since | Role |
|---|---|---|
| **December 31, 2015** | | |
| Tidjane Thiam, Chief Executive Officer [1] | 2015 | Group CEO |
| James L. Amine, CEO Investment Banking & Capital Markets | 2014 | Divisional Head |
| Pierre-Olivier Bouée, COO [2] | 2015 | Corporate Function Head |
| Romeo Cerutti, General Counsel | 2009 | Corporate Function Head |
| Peter Goerke, Head of Human Resources, Communications & Branding [2] | 2015 | Corporate Function Head |
| Thomas P. Gottstein, CEO Swiss Universal Bank [2] | 2015 | Divisional Head |
| Iqbal Khan, CEO International Wealth Management [2] | 2015 | Divisional Head |
| David R. Mathers, Chief Financial Officer | 2010 | Corporate Function Head |
| Joachim Oechslin, Chief Risk Officer | 2014 | Corporate Function Head |
| Timothy P. O'Hara, CEO Global Markets | 2014 | Divisional Head |
| Helman Sitohang, CEO Asia Pacific [2] | 2015 | Divisional Head |
| Lara J. Warner, Chief Compliance and Regulatory Affairs Officer [2] | 2015 | Corporate Function Head |

[1] New CEO appointment announced on March 10, 2015, effective on July 1, 2015.
[2] Appointed on October 21, 2015 as a new Executive Board member with immediate effect.

### Executive Board mandates

Our Executive Board members may, similar to our Board members, assume board or executive level or other roles in companies and organizations outside of the Group, which are collectively referred to as mandates. According to the Group's AoA, the number of mandates Executive Board members may hold in listed companies and other organizations outside of the Group is subject to certain restrictions, in order to comply with the Compensation Ordinance and to ensure that our Executive Board members dedicate sufficient time to fulfil their executive roles.

No Executive Board member holds mandates in excess of the restrictions as set forth in our AoA.

▸ Refer to "Mandates" in Board of Directors for further information.

## BIOGRAPHIES OF THE EXECUTIVE BOARD MEMBERS



**Tidjane Thiam**
Born 1962
French and Ivorian Citizen

**Member since 2015**

**Chief Executive Officer**

### Professional history

| | |
|---|---|
| 2015–present | Credit Suisse |
| | Chief Executive Officer of the Group (2015–present) |
| 2008–2015 | Prudential plc |
| | Group Chief Executive (2009–2015) |
| | Chief Financial Officer (2008–2009) |
| 2002–2008 | Aviva |
| | Chief Executive (2006–2008) |
| | Managing director, International (2004–2006) |
| | Group strategy & development director (2002–2004) |
| 2000–2002 | McKinsey & Co, partner, Paris |
| 1998–1999 | Minister of planning and development, Côte d'Ivoire |
| 1994–1998 | National Bureau for Technical Studies & Development, Côte d'Ivoire, Chairman and Chief Executive |
| Prior to 1994 | McKinsey & Co, partner, consultant, Paris, London and New York |

### Education

| | |
|---|---|
| 1988 | MBA, INSEAD |
| 1986 | Advanced Mathematics and Physics, Ecole Nationale Supérieure des Mines de Paris |
| 1984 | Ecole Polytechnique, Paris |

### Other activities and functions

World Economic Forum 2016 in Davos, co-chair
Group of Thirty (G30), member
21st Century Fox, board member



**James L. Amine**
Born 1959
US Citizen

**Member since 2014**

**CEO Investment Banking & Capital Markets**

### Professional history

| | |
|---|---|
| 1997–present | Credit Suisse |
| | CEO Investment Banking & Capital Markets (2015–present) |
| | Joint Head of Investment Banking, responsible for the Investment Banking Department (2014–2015) |
| | Head of Investment Banking Department (2012–present) |
| | Co-Head of Investment Banking Department, responsible for the Americas and Asia Pacific (2010–2012) |
| | Co-Head of Investment Banking Department, responsible for EMEA and Asia Pacific and Head of Global Market Solutions Group (2008–2010) |
| | Head of European Global Markets Solutions Group and Co-Head of Global Leveraged Finance (2005–2008) |
| | Head of European Leveraged Finance (1999–2000; 2003–2005), Co-Head (2000–2003) |
| | Various functions within High-Yield Capital Markets of Credit Suisse First Boston (1997–1999) |
| Prior to 1997 | Cravath, Swaine & Moore, attorney |

### Education

| | |
|---|---|
| 1984 | JD, Harvard Law School |
| 1981 | BA, Brown University |

### Other activities and functions

New York Cares, board member
Americas Diversity Council, member
Leadership Committee of Lincoln Center Corporate Fund, member
Caramoor Center for Music and the Arts, board member
Harvard Law School, dean's advisory board member
Credit Suisse Americas Foundation, board member



**Pierre-Olivier Bouée**
Born 1971
French Citizen

Member since 2015

Chief Operating Officer

| Professional history | |
|---|---|
| 2015–present | Credit Suisse |
| | Chief Operating Officer (2015–present) |
| | Chief of Staff (2015) |
| 2008–2015 | Prudential plc |
| | Group Risk Officer (2013–2015) |
| | Managing director, CEO office (2009–2013) |
| | Business representative Asia (2008–2013) |
| 2004–2008 | Aviva |
| | Director, Central & Eastern Europe (2006–2008) |
| | Director, Group strategy (2004–2006) |
| 2000–2004 | McKinsey & Co |
| | Associate principal (2004) |
| | Engagement manager (2002–2004) |
| | Associate (2000–2002) |
| 1997–2000 | French Government Ministry of Economy and Finance, Treasury Department |
| | Deputy General Secretary of the Paris Club |
| | Deputy Head, International Debt office (F1) |

| Education | |
|---|---|
| 1997 | Master in Public Administration, Ecole Nationale d'Administration (ENA) |
| 1991 | Master in Business and Finance, Hautes Etudes Commerciales (HEC) |
| 1991 | Master in Corporate Law, Faculté de Droit Paris XI, Jean Monnet |



**Romeo Cerutti**
Born 1962
Swiss and Italian Citizen

Member since 2009

General Counsel

| Professional history | |
|---|---|
| 2006–present | Credit Suisse |
| | General Counsel (2009–present) |
| | Global Co-Head of Compliance (2008–2009) |
| | General Counsel, Private Banking (2006–2009) |
| 1999–2006 | Lombard Odier Darier Hentsch & Cie |
| | Partner of the Group Holding (2004–2006) |
| | Head of Corporate Finance (1999–2004) |
| 1995–1999 | Homburger Rechtsanwälte, Zurich, attorney-at-law |
| Prior to 1995 | Latham and Watkins, Los Angeles, attorney-at-law |

| Education | |
|---|---|
| 1998 | Post-doctorate degree in Law (Habilitation), University of Fribourg |
| 1992 | Admission to the bar of the State of California |
| 1992 | Master of Law (LLM), University of California, Los Angeles |
| 1990 | Doctorate in Law, University of Fribourg |
| 1989 | Admission to the bar of the Canton of Zurich |
| 1986 | Master in Law (lic.iur.), University of Fribourg |

**Other activities and functions**

Galenica Ltd, board member
American-Swiss Chamber of Commerce, legal group member
Association Friends of the Zurich Art Museum, board member
University of Fribourg, board of trustees member



**Peter Goerke**
Born 1962
Swiss Citizen

**Member since 2015**

**Head of Human Resources, Communications & Branding**

**Professional history**

| | |
|---|---|
| 2015–present | Credit Suisse |
| | Head of Human Resources, Communications & Branding |
| 2011–2015 | Prudential Plc, Group Human Resources director |
| 2005–2011 | Zurich Financial Services, Group Head of Human Resources |
| 2000–2005 | Egon Zehnder, consultant |
| 1997–2000 | McKinsey & Company, Zurich and Chicago, consultant |

**Education**

| | |
|---|---|
| 2002 | Advanced Management Program (AMP), University of Pennsylvania – The Wharton School |
| 1998 | lic. oec., University of St. Gallen |



**Thomas P. Gottstein**
Born 1964
Swiss Citizen

**Member since 2015**

**CEO Swiss Universal Bank**

**Professional history**

| | |
|---|---|
| 1999–present | Credit Suisse |
| | CEO Swiss Universal Bank (2015–present) |
| | Head of Premium Clients Switzerland & Global External Asset Managers, Private Banking & Wealth Management (2013–2015) |
| | Head of Investment Banking Coverage Switzerland (2009–2013) |
| | Co-Head of Equity Capital Markets EMEA (2007–2009) |
| | Head Equity Capital Markets Switzerland, Austria and Scandinavia, London (2005–2007) |
| | Head Equity Capital Markets Switzerland, Zurich (2002–2005) |
| | Investment Banking Department Switzerland (1999–2002) |
| Prior to 1999 | UBS, Telecoms Investment Banking and Equity Capital Markets |

**Education**

| | |
|---|---|
| 1996 | PhD in Finance and Accounting, University of Zurich |
| 1989 | Degree in Business Administration and Economics, University of Zurich |

**Other activities and functions**

| |
|---|
| Pension Fund CS Group (Schweiz), member of the foundation board |
| Private Banking STC of the Swiss Banking Association, member |
| FINMA Private Banking Panel, member |



**Iqbal Khan**
Born 1976
Swiss Citizen

**Member since 2015**

**CEO International Wealth Management**

**Professional history**

| | |
|---|---|
| 2013–present | Credit Suisse |
| | CEO International Wealth Management (2015–present) |
| | CFO Private Banking & Wealth Management (2013–2015) |
| 2001–2013 | Ernst & Young, Switzerland |
| | Managing Partner Assurance and Advisory Services – Financial Services (2011-2013) |
| | Member of Swiss Management Committee (2011–2013) |
| | Industry Lead Partner Banking and Capital Markets, Switzerland and EMEA Private Banking (2009-2011) |

**Education**

| | |
|---|---|
| 2012 | Advanced Master of International Business Law (LLM), University of Zurich |
| 2004 | Certified Financial Analyst |
| 2002 | Swiss Certified Public Accountant |
| 1999 | Swiss Certified Trustee |



**David R. Mathers**
Born 1965
British Citizen

**Member since 2010**

**Chief Financial Officer**

**Professional history**

| | |
|---|---|
| 1998–present | Credit Suisse |
| | Chief Financial Officer (2010–present) |
| | CEO of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries) (2016–present) |
| | Head of Strategic Resolution Unit (2015–present) |
| | Head of IT and Operations (2012–2015) |
| | Head of Finance and COO of Investment Banking (2007–2010) |
| | Senior positions in Credit Suisse's Equity business, including Director of European Research and Co-Head of European Equities (1998–2007) |
| Prior to 1998 | HSBC |
| | Global head of equity research (1997–1998) |
| | Research analyst, HSBC James Capel (1987–1997) |

**Education**

| | |
|---|---|
| 1991 | MA in Natural Sciences, University of Cambridge, England |
| 1987 | BA in Natural Sciences, University of Cambridge, England |

**Other activities and functions**

European CFO Network, member

Women in Science & Engineering (WISE) program and academic awards and grants at Robinson College, Cambridge, sponsor



**Joachim Oechslin**
Born 1970
Swiss Citizen

Member since 2014

Chief Risk Officer

### Professional history

| | |
|---|---|
| 2014–present | Credit Suisse |
| | Chief Risk Officer (2014–present) |
| 2007–2013 | Munich Re Group, Chief Risk Officer |
| 2007 | AXA Group, deputy Chief Risk Officer |
| 2001–2006 | Winterthur |
| | Member of the executive board (2006) |
| | Chief Risk Officer (2003–2006) |
| | Head of risk management (2001–2003) |
| 1998–2001 | McKinsey & Company, consultant |

### Education

| | |
|---|---|
| 1998 | Licentiate/Master of Science in Mathematics, Swiss Federal Institute of Technology (ETH), Zurich |
| 1994 | Engineering degree, Higher Technical Institute (HTL), Winterthur |

### Other activities and functions

International Financial Risk Institute, member



**Timothy P. O'Hara**
Born 1964
US Citizen

Member since 2014

CEO Global Markets

### Professional history

| | |
|---|---|
| 1986–present | Credit Suisse |
| | CEO Global Markets (2015–present) |
| | Joint Head of Investment Banking, responsible for the Equities business (2014–2015) |
| | President and CEO of Credit Suisse Securities (USA) LLC (2012–present) |
| | Head of Global Equities (2012–2014) |
| | Co-Head of Global Securities (2011–2012) |
| | Head of Fixed Income, North America (2009–2011) |
| | Head of Global Credit Products (2008–2011) |
| | Co-Head of Global Leveraged Finance (2005–2008) |
| | Head of Global High Yield Capital Markets and Head of US High Yield Capital Markets (2000–2005) |
| | Managing Director, Head of Global High Yield Capital Markets and Co-Head of Global Debt Capital Markets (1998–2000) |
| | Various senior management and other positions in Investment Banking (1986–1998) |

### Education

| | |
|---|---|
| 1990 | MBA in Finance, Wharton School, University of Pennsylvania |
| 1986 | BA in Economics, University of Virginia |

### Other activities and functions

Securities Industry and Financial Markets Association, board member (Credit Suisse representative) and executive committee member

University of Virginia College Foundation, board of trustees member

Project Morry, board member



**Helman Sitohang**
Born 1965
Indonesian Citizen

**Member since 2015**

**CEO Asia Pacific**

**Professional history**

| | |
|---|---|
| 1999–present | Credit Suisse |
| | CEO Asia Pacific (2015–present) |
| | Regional CEO APAC (2014–2015) |
| | Head of Investment Banking Asia Pacific (2012–2015) |
| | Co-Head of the Emerging Markets Council (2012–2015) |
| | CEO of South East Asia (2010–2015) |
| | Co-Head of the Investment Banking Department – Asia Pacific (2009–2012) |
| | Co-Head of the Global Markets Solutions Group – Asia Pacific (2009–2012) |
| | Country CEO, Indonesia (1999–2010) |
| Prior to 1999 | Bankers Trust, derivatives group |

**Education**

| | |
|---|---|
| 1989 | BS in Engineering, Bandung Institute of Technology |



**Lara J. Warner**
Born 1967
Australian and US Citizen

**Member since 2015**

**Chief Compliance and Regulatory Affairs Officer**

**Professional history**

| | |
|---|---|
| 2002–present | Credit Suisse |
| | Chief Compliance and Regulatory Affairs Officer (2015–present) |
| | Chief Operating Officer, Investment Banking (2013–2015) |
| | Chief Financial Officer, Investment Banking (2010–2015) |
| | Head of Global Fixed Income Research (2009–2010) |
| | Head of US Equity Research (2004–2009) |
| | Senior Equity Research Analyst (2002–2004) |
| 1999–2001 | Lehman Brothers, equity research analyst |
| Prior to 1999 | AT&T |
| | Director of Investor Relations (1997–1999) |
| | Chief Financial Officer, Competitive Local Exchange Business (1995-1997) |
| | Various finance and operating roles (1988-1995) |

**Education**

| | |
|---|---|
| 1988 | BS, Pennsylvania State University |

**Other activities and functions**

Women's Leadership Board of Harvard University's John F. Kennedy School of Government, executive committee chair

Aspen Institute's Business and Society Program, board member

## BANKING RELATIONSHIPS WITH BOARD AND EXECUTIVE BOARD MEMBERS AND RELATED PARTY TRANSACTIONS

The Group is a global financial services provider. Many of the members of the Board and the Executive Board or companies associated with them maintain banking relationships with us. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Board or the Executive Board have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Board or the Executive Board and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Board, members of the Executive Board or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2015, 2014 and 2013, there were no loan exposures to such related parties that were not made in the ordinary course of business and at prevailing market conditions.

▸ Refer to "Board shareholdings and loans" and "Executive Board shareholdings and loans" in Compensation – Board of Directors Compensation and – Executive Board Compensation, respectively, for a list of the outstanding loans to members of the Board and the Executive Board.

### Related party transactions

#### Tier 1 capital instruments

Beginning in February 2011, the Group entered into agreements with entities affiliated with QIA and The Olayan Group, each of which has significant holdings of Group shares and other Group financial products. The agreements were amended in 2012 and 2013 and, as a result, QIA and The Olayan Group agreed to purchase new tier 1 high-trigger capital instruments (new Tier 1 Capital Notes) in exchange for their holdings of previously issued notes.

The following new Tier 1 Capital Notes were outstanding as of December 31, 2015:

- USD 1.725 billion, 9.5%, held by an affiliate of The Olayan Group;
- USD 1.72 billion, 9.5%, held by an affiliate of QIA; and
- CHF 2.5 billion, 9.0%, held by an affiliate of QIA.

Under their terms, the new Tier 1 Capital Notes will be converted into our ordinary shares if our reported common equity tier 1 (CET1) ratio, as determined under BCBS regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless FINMA, at our request, has agreed on or prior to the publication of our quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The new Tier 1 Capital Notes will also be converted if FINMA determines that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances. In addition, conversion of the new Tier 1 Capital Notes issued to the entities affiliated with The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, our reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of our ordinary shares over a five-day period preceding the notice of conversion. The new Tier 1 Capital Notes are deeply subordinated, perpetual and callable by us no earlier than 2018 and in certain other circumstances with FINMA approval. Interest, which is payable on the USD 1.725 billion and the USD 1.72 billion new Tier 1 Capital Notes at a fixed rate of 9.5% and on the CHF 2.5 billion new Tier 1 Capital Notes at a fixed rate of 9.0%, will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of our current Board member Jassim Bin Hamad J.J. Al Thani and our then Board member Aziz R.D. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board (except for Mr. Bin Hamad J.J. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent capital instrument, for which there was no established market, and the terms of the notes issued and held by QIA and The Olayan Group, were fair. As of April 26, 2013, Mr. Syriani retired from the Board and no other person affiliated with The Olayan Group has been elected as a Board member.

▸ Refer to "Note 30 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information on related party transactions.

## AUDIT

▸ Refer to "Audit Committee" in Board committees for further information on the responsibilities of the audit committee.

Auditing forms an integral part of corporate governance at the Group. Both internal and external auditors have a key role to play by providing an independent assessment of our operations and internal controls.

### Internal Audit

Our Internal Audit function comprises a team of around 300 professionals, substantially all of whom are directly involved in auditing activities. The Head of Internal Audit, Martyn Scrivens, reports directly to the Audit Committee chairman.

Internal Audit performs an independent and objective assurance function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal Audit is responsible for carrying out periodic audits in line with the Charter for Internal Audit approved by the Audit Committee. It regularly and independently assesses the risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining key risk themes and specifying resource requirements for approval by the Audit Committee.

As part of its efforts to achieve best practice, Internal Audit regularly benchmarks its methods and tools against those of its peers. In addition, it submits periodic internal reports and summaries thereof to the management teams as well as the Chairman and the Audit Committee chairman. The Head of Internal Audit reports to the Audit Committee at least quarterly and more frequently as appropriate. Internal Audit coordinates its operations with the activities of the external auditor for maximum effect.

### External auditors

Our statutory auditor is KPMG AG (KPMG), Badenerstrasse 172, 8004 Zurich, Switzerland. The mandate was first given to KPMG for the business year 1989/1990. The lead Group engagement partners are Anthony Anzevino, Global Lead Partner (since 2012) and Simon Ryder, Group Engagement Partner (since 2010).

In addition, we have mandated BDO AG, Fabrikstrasse 50, 8031 Zurich, Switzerland, as special auditor for the purposes of issuing the legally required report for capital increases in accordance with Article 652f of the Swiss Code of Obligations, mainly relating to the valuation of companies in consideration of the qualified capital increases involving contributions in kind.

#### Audit committee pre-approval policy

The Audit Committee monitors and pre-approves the fees to be paid to KPMG for its services.

### Fees paid to external auditors

| in | 2015 | 2014 | % change |
|---|---|---|---|
| **Fees paid to external auditors (CHF million)** | | | |
| Audit services [1] | 45.3 | 39.8 | 14 |
| Audit-related services [2] | 10.0 | 6.7 | 49 |
| Tax services [3] | 2.2 | 2.4 | (8) |

[1] Audit services include the integrated audit of the Group's consolidated and statutory financial statements, interim reviews and comfort and consent letters. Additionally they include all assurance and attestation services related to the regulatory filings of the Group and its subsidiaries. Audit fees exclude value-added taxes.

[2] Audit-related services are primarily in respect of: (i) reports related to the Group's compliance with provisions of agreements or calculations required by agreements; (ii) accounting advice; (iii) audits of private equity funds and employee benefit plans; and (iv) regulatory advisory services.

[3] Tax services are in respect of tax compliance and consultation services, including: (i) preparation and/or review of tax returns of the Group and its subsidiaries; (ii) assistance with tax audits and appeals; and (iii) confirmations relating to the Qualified Intermediary status of Group entities.

KPMG attends all meetings of the Audit Committee and reports on the findings of its audit and/or interim review work. The Audit Committee reviews on an annual basis KPMG's audit plan and evaluates the performance of KPMG and its senior representatives in fulfilling its responsibilities. Moreover, the Audit Committee recommends to the Board the appointment or replacement of the external auditor, subject to shareholder approval as required by Swiss law.

KPMG provides a report as to its independence to the Audit Committee at least once a year. In addition, our policy on the engagement of public accounting firms, which has been approved by the Audit Committee, strives to further ensure an appropriate degree of independence of our external auditor. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. In accordance with this policy and as in prior years, all KPMG non-audit services provided in 2015 were pre-approved. KPMG is required to report to the Audit Committee periodically regarding the extent of services provided by KPMG and the fees for the services performed to date.

## ADDITIONAL INFORMATION

### Complying with rules and regulations

We fully adhere to the principles set out in the Swiss Code of Best Practice for Corporate Governance, dated August 28, 2014, including its appendix stipulating recommendations on the process for setting compensation for the Board and the Executive Board.

In connection with our primary listing on the SIX, we are subject to the SIX Directive on Information Relating to Corporate Governance, dated September 1, 2014. Our shares are also listed on the NYSE in the form of American Depositary Shares (ADS) and certain of the Group's exchange traded notes are listed on the Nasdaq Stock Market (Nasdaq). As a result, we are subject to certain US rules and regulations. We adhere to the NYSE's and the Nasdaq's corporate governance listing standards (NYSE and Nasdaq standards), with a few exceptions where the rules are not applicable to foreign private issuers.

The following are the significant differences between our corporate governance standards and the corporate governance standards applicable to US domestic issuers listed on the NYSE and Nasdaq:

- Approval of employee benefit plans: NYSE and Nasdaq standards require shareholder approval of the establishment of, and material revisions to, certain equity compensation plans. We comply with Swiss law, which requires that shareholders approve the creation of conditional capital used to set aside shares for employee benefit plans and other equity compensation plans, but does not require shareholders to approve the terms of those plans.
- Risk assessment and risk management: NYSE standards allocate to the Audit Committee responsibility for the discussion of guidelines and policies governing the process by which risk assessment and risk management is undertaken, while at the Group these duties are assumed by the Risk Committee. Whereas our Audit Committee members satisfy the NYSE as well as Nasdaq independence requirements, our Risk Committee may include non-independent members.
- Independence of nominating and corporate governance committee: NYSE and Nasdaq standards require that all members of the nominating and corporate governance committee be independent. The Group's Chairman's and Governance Committee is currently comprised entirely of independent members, but according to its charter, may include non-independent members.
- Reporting: NYSE standards require that certain board committees report specified information directly to shareholders, while under Swiss law only the Board reports directly to the shareholders and the committees submit their reports to the full Board.
- Appointment of the external auditor: NYSE and Nasdaq standards require that an Audit Committee of a listed company comply with and have the authority necessary to comply with the requirements of Rule 10A-3 of the Securities Exchange Act of 1934. Rule 10A-3 requires the Audit Committee to be directly responsible for the appointment, compensation, retention and oversight of the external auditor unless there is a conflicting requirement under home country law. Under Swiss law, the appointment of the external auditor must be approved by the shareholders at the AGM based on the proposal of the Board, which receives the advice and recommendation of the Audit Committee.
- Audit Committee charter: Nasdaq standards require the Audit Committee to review and assess the adequacy of its charter on an annual basis, while our Audit Committee's charter only requires review and assessment from time to time.
- Executive sessions: NYSE and Nasdaq standards require the board of directors to meet regularly in executive sessions comprised solely of independent directors. Our Board meets regularly in executive sessions comprised of all directors, including any directors determined to be not independent. If any item discussed at the meeting raises a conflict of interest for any of our directors, however, such director does not participate in the related decision making. The Board does not include any directors who are also members of management.
- Quorums: Nasdaq standards require that the company's bylaws provide for a quorum of at least 33⅓% of the outstanding shares of the company's common stock for any meeting of the holders of common stock. The Group's AoA call for a quorum in certain instances, but do not require a quorum of 33⅓% or greater of the holders of the outstanding shares of common stock for any meeting of shareholders.
- Independence: NYSE and Nasdaq independence standards specify thresholds for the maximum permissible amount of (i) direct compensation that can be paid by the company to a director or an immediate family member thereof, outside of such director's directorship fees and other permitted payments; and (ii) payments between the company and another company at which such director or an immediate family member thereof is an executive officer, controlling shareholder, partner or employee. Our independence standards do not specify thresholds for direct compensation or cross-company revenues, but consider these facts in the overall materiality of the business relationship determination for independence purposes.

### Fiduciary duties and indemnification

The Swiss Code of Obligations requires directors and members of senior management to safeguard the interests of the corporation and, in connection with this requirement, imposes the duties of care and loyalty on directors and members of senior management. While Swiss law does not have a general provision on conflicts of interest, the duties of care and loyalty are generally understood to disqualify directors and members of senior management from participating in decisions that could directly affect them. Directors and members of senior management are personally liable to the corporation for any breach of these provisions.

The Group's AoA and the Bank's AoA do not contain provisions regarding the indemnification of directors and officers. According to Swiss statutory law, an employee has a right to be indemnified

by the employer against losses and expenses incurred by such person in the execution of such person's duties under an employment agreement, unless the losses and expenses arise from the employee's gross negligence or willful misconduct. It is our policy to indemnify current and former directors and/or employees against certain losses and expenses in respect of service as a director or employee of the Group, one of the Group's affiliates or another entity that we have approved, subject to specific conditions or exclusions. We maintain directors' and officers' insurance for our directors and officers.

### Employee relations

As of December 31, 2015, we had 48,200 employees worldwide, of which 17,400 were in Switzerland and 30,800 were abroad. The majority of our employees do not belong to unions. We have not experienced any significant strikes, work stoppages or labor disputes in recent years. We consider our relations with our employees to be good.

▸ Refer to "Credit Suisse" in II – Operating and financial review and the 2015 Corporate Responsibility Report for further information on our responsibility as an employer,

### Fees and charges for holders of ADS

In accordance with the terms of the Deposit Agreement, Deutsche Bank Trust Company Americas, as depositary for the ADS (Depositary), may charge holders of our ADS, either directly or indirectly, fees or charges up to the amounts described below.

The Depositary collects its fees for the delivery and surrender of ADS directly from investors depositing shares or surrendering ADS for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to holders by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may generally refuse to provide fee services until its fees for those services are paid.

## Fees and charges for holders of ADS

| | |
|---|---|
| **Fees** | |
| USD 5 (or less) per 100 ADS (or portion thereof) | For the issuance of ADS, including issuances resulting from a distribution of shares, share dividends, share splits and other property; for ADS issued upon the exercise of rights; and for the surrender of ADS for cancellation and withdrawal of shares. |
| USD 2 per 100 ADS | For any distribution of cash to ADS registered holders, including upon the sale of rights or other entitlements. |
| Registration or transfer fees | For the transfer and registration of shares on our share register to or from the name of the Depositary or its agent when the holder deposits or withdraws shares. |
| **Charges** | |
| Expenses of the Depositary | For cable, telex and facsimile transmissions (when expressly provided in the deposit agreement); and for converting foreign currency to US dollars. |
| Taxes and other governmental charges | Paid, as necessary, to the Depositary or the custodian who pays certain charges on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or applicable interest or penalty thereon. |
| Other charges | Paid, as necessary, to the Depositary or its agents for servicing the deposited shares. |

#### Amounts paid by the Depositary to the Group

In accordance with the Group's engagement letter, in 2015 the Depositary made payments to the Group of USD 0.2 million, including for the reimbursement of expenses relating to its American Depositary Receipt (ADR) program. The Depositary has also contractually agreed to provide certain ADR program-related services free of charge.

Under certain circumstances, including removal of the Depositary or termination of the ADR program by the Group, the Group is required to repay certain amounts paid to the Group and to compensate the Depositary for payments made or services provided on behalf of the Group.

# Compensation

## DEAR SHAREHOLDERS

As the Chairman of the Compensation Committee of the Board (Compensation Committee), I am pleased to present to you the 2015 Compensation Report. Let me briefly highlight some of the focus areas of the Compensation Committee in 2015, the main compensation decisions related to variable incentive compensation awarded for the 2015 financial year, as well as the resolutions which we will submit for binding shareholder votes at this year's AGM.

### Key developments

Following the appointment of Tidjane Thiam as the new Chief Executive Officier (CEO), we communicated in October our new strategic direction, including a changed organizational structure and composition of the Executive Board. The organizational structure, which is client-focused and designed to improve the alignment with market and regulatory differences in the various regions, included a right-sizing and re-organization of the former Investment Banking division. This triggered the reassessment of certain assets and resulted in a goodwill impairment charge of CHF 3.8 billion in the fourth quarter of 2015, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000.

In line with the management and organizational changes, and in response to shareholder feedback that compensation arrangements for the Executive Board fully reflect the Group's new strategy and communicated financial goals, the Compensation Committee initiated a review of the compensation structure and recommended various amendments for approval by the Board of Directors (Board). These amendments are outlined below. In addition, the Compensation Committee carefully monitored the Group's continued progress in considering risk in connection with performance reviews and the compensation process. This included achieving greater consistency across divisions and regions in setting compensation, as well as in pursuing the application of malus and clawback provisions to the extent permitted under local laws, in the event of disciplinary infractions.

Another significant factor affecting compensation in 2015 was the challenging market environment, which negatively impacted the Group's performance, especially in the fourth quarter of the year. Given that these volatile market conditions are expected to continue, it is timely that we have placed the utmost priority on the repositioning of Credit Suisse's strategy and the redesign of our Executive Board compensation structure.

### Compensation decisions

#### Group compensation

For 2015, the Board approved the Compensation Committee's proposal to award total Group variable incentive compensation of CHF 2,920 million, which was 11% lower compared to 2014, and 19% lower compared to 2013. The divisional pools for Global Markets and Investment Banking & Capital Markets decreased by more than 30%, a substantial reduction compared to 2014 levels, reflecting the weak performance of those divisions in 2015, particularly in the fourth quarter. As a result, 31% of employees in those divisions had their variable incentive compensation reduced by more than 50% for 2015, compared to the previous year.

Of the total variable incentive compensation awarded across the Group for 2015, 43% was deferred, compared to 48% in 2014. This reduction in deferral rates is part of an initiative to gradually reduce the amortization impact of deferred compensation on future financial years.

#### Executive Board compensation

To align our Executive Board compensation with the new strategic direction and to achieve a stronger link between pay and performance, upon the recommendation of the Compensation Committee the Board has approved a revised compensation structure with the following key features to be fully implemented in 2016:

- Variable incentive compensation will be awarded as Short-Term Incentive (STI) and Long-Term Incentive (LTI) opportunities. Each component will be expressed as a percentage of base salary taking into account the role, market experience and geography, and actual payout levels will be limited to 100% of the opportunity. Payout levels for STI awards will be based on the achievement of performance targets for the prior financial year, whereas the payout of LTI awards will be linked to future performance pursuant to the long-term strategic plan, with no link to prior year Group or divisional performance;
- The Board will approve targets for STI and LTI awards with defined "Threshold", "Target" and "Maximum" performance levels, corresponding to payouts of 25%, 80% and 100% respectively. There will be no payout for actual performance achievements below the "Threshold", and any payout of 100% of the opportunity would require outperformance above the pre-determined goals; and
- In addition to internal key performance metrics, LTI awards will be based on Total Shareholder Return (TSR) as a market-determined metric. TSR will be measured against a newly defined group of 18 peers on a ranked basis. A 100% payout of the LTI opportunity requires a Credit Suisse TSR ranking within the top four of the peer group over a three-year performance period.

For 2015, the Board proposes to award variable incentive compensation to members of the Executive Board as STI awards in a combination of cash and Contingent Capital Awards (CCA) in line with the structure envisaged in the 2014 Annual Report. Subject to shareholder approval, we intend to grant LTI awards under the new structure, i.e., unrelated to the performance in 2015 and contingent upon performance targets pre-determined for the three-year period from the beginning of 2016 until the end of 2018.

Given the significant changes in the composition of the Executive Board and the new organizational structure, modifications to the basis for determining variable incentive compensation were required, and different approaches were applied depending on the length of service of each Executive Board member during 2015. The overall Group financial results were taken into account under each approach:

- For the five individuals who were members of the Executive Board during the entire year of 2015, variable incentive compensation awarded in the form of STI awards (including cash and deferred STI awards) was on average 40% below the value of STI awards granted with respect to the prior year;
- For the three individuals who joined Credit Suisse during 2015 and were appointed to the Executive Board during 2015, including the CEO, variable incentive compensation was determined by taking into account individual contributions to the implementation of the changed organizational structure and strategy, the weaker financial performance in the fourth quarter of 2015, and the CEO's voluntary request for a 40% reduction in the amount of variable incentive compensation that would have been otherwise awarded to him;
- For the four existing employees who were promoted to the Executive Board during 2015, variable incentive compensation awarded was based on an assessment against pre-existing performance objectives for the first nine months of the year, and an assessment of performance in the fourth quarter of 2015, taking into account individual contributions and the business performance during that period, as applicable; and
- For the five individuals who ceased to be Executive Board members during 2015, variable incentive compensation awarded was negotiated on a case by case basis through separation agreements.

### Board of Directors compensation

The fee structure for members of the Board remained unchanged compared to the previous year. In consideration of the Group's weaker financial performance in 2015 and the reported full year loss, the Chairman proposed to voluntarily waive his chair fee of CHF 1.5 million for the period from the 2015 AGM to the 2016 AGM, and this proposal was approved by the Board in the context of determining compensation.

### Annual General Meeting of Shareholders 2016

In line with the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations (Compensation Ordinance) and the Group's Articles of Association (AoA), the compensation of the Board and the Executive Board will be submitted for binding shareholder votes at the 2016 Annual General Meeting of Shareholders (AGM). Accordingly, shareholders will be asked to approve the following:

- maximum aggregate compensation for the Board for the period 2016 AGM to 2017 AGM (prospective vote);
- Executive Board aggregate variable incentive compensation for the 2015 financial year (retrospective vote);
- maximum aggregate fixed compensation for the Executive Board for the period 2016 AGM to 2017 AGM (prospective vote); and
- maximum aggregate amount of LTI compensation to be awarded to members of the Executive Board for the financial year 2016, subject to performance measurement over the three-year period from 2016 to 2018, followed by vesting and delivery in three installments over two years on the third, fourth, and fifth anniversaries of the grant date (prospective vote).

The actual fixed compensation paid to the Board and the Executive Board for the period 2015 AGM to 2016 AGM was in line with the amounts approved by the shareholders at last year's AGM.

We will continue to submit the entire Compensation Report for a consultative vote as was our practice in the past.

The Compensation Committee is satisfied that this Compensation Report reflects the review process and determination of compensation for 2015. This Compensation Report is in line with the specific remuneration disclosure requirements issued by the Swiss Financial Market Supervisory Authority FINMA (FINMA). In the context of compensation for the Board and the Executive Board, the Compensation Report is in compliance with the respective provisions of the Compensation Ordinance, as confirmed by our auditors KPMG. The activities of the Compensation Committee were executed in accordance with its mandate under the Credit Suisse Organizational Guidelines and Regulations (OGR) and the Compensation Committee charter.

On behalf of the Compensation Committee, I would like to thank you for your support and feedback, which we will continue to solicit in the context of reviewing and refining our compensation practices to ensure both full compliance with all regulatory requirements as well as alignment with the interests of our shareholders.



Jean Lanier
Chairman of the Compensation Committee
Member of the Board of Directors
March 2016

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Report of the Statutory Auditor to the General Meeting of Shareholders of

**Credit Suisse Group AG, Zurich**

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We have audited the accompanying Compensation report dated March 24, 2016 of Credit Suisse Group AG (the "Group") for the year ended December 31, 2015. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (the "Ordinance") contained in the sections marked with (Audited) on pages 235 to 247 of the Compensation report.

*Responsibility of the Board of Directors*
The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

*Auditor's Responsibility*
Our responsibility is to express an opinion on the accompanying Compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*
In our opinion, the Compensation report for the year ended December 31, 2015 of the Group complies with Swiss law and articles 14-16 of the Ordinance.

KPMG AG

Simon Ryder
*Licensed Audit Expert*
*Auditor in Charge*

Ralph Dicht
*Licensed Audit Expert*

Zurich, Switzerland
March 24, 2016

## GROUP COMPENSATION

### Compensation policy and objectives

The objectives of the Group's compensation policy include attracting and retaining employees, and motivating employees to achieve results with integrity and fairness. The compensation policy is designed to support a performance culture which fosters teamwork and collaboration. Furthermore, it aims to promote effective risk management practices consistent with the Group's compliance and control framework. The compensation policy takes into account the capital position and long-term performance of the Group and balances the fixed and variable incentive compensation components to reflect the value and responsibility of the roles that employees perform. The objectives of the compensation policy are framed to achieve an appropriate balance between the interests of employees and shareholders in order to create sustainable value for the Group.

The compensation policy applies to all employees and compensation plans of the Group. It contains a detailed description of the Group's compensation principles and objectives as well as the compensation programs. It also sets out the standards and processes relating to the development, management, implementation and governance of compensation. The compensation policy adheres to the compensation principles set out by the Group's regulator in Switzerland, the FINMA, and the Group's other main regulators.

The compensation policy is reviewed regularly and endorsed by the independent Compensation Committee. The compensation policy, as well as periodic updates and revisions, is approved by the Board. The compensation policy is accessible to all employees and is published at *www.credit-suisse.com/compensation*.

### Compensation Committee

The Compensation Committee is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing compensation for the Group and Executive Board for approval by the Board. In accordance with the Compensation Ordinance and the AoA, the shareholders vote annually to approve the compensation of the Board and the Executive Board based on the proposals set forth by the Board. The Compensation Committee consists of at least three members of the Board, all of whom must be independent. The current members are Jean Lanier (chairman), Iris Bohnet, Andreas N. Koopmann and Kai S. Nargolwala. The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance and the FINMA, and the rules of the New York Stock Exchange (NYSE) and the Nasdaq Stock Market (Nasdaq) in determining that all of these individuals are independent.

▸ Refer to "Independence" in Corporate Governance – Board of Directors for more information on how the Group determines the independence of its Board members.

#### Advisers to the Compensation Committee

The Compensation Committee is authorized to retain outside advisers, at the Group's expense, for the purposes of providing guidance to the Compensation Committee as it carries out its responsibilities. McLagan, a management consulting firm specializing in the benchmarking of performance and reward data for the financial services industry, assists the Compensation Committee in ensuring that the Group's compensation program remains competitive, responsive to regulatory developments and in line with the compensation policy. McLagan has appointed a senior consultant to advise the Compensation Committee. This individual does not provide other services to the Group other than assisting the Compensation Committee. The law firm Nobel & Hug acts as external legal counsel to the Compensation Committee. Prior to their appointments, the Compensation Committee conducted an independence assessment of these advisers pursuant to the rules of the US Securities and Exchange Commission (SEC) and the listing standards of the NYSE and the Nasdaq.

#### Compensation Committee meetings and annual performance review

The Chairman of the Board (Chairman) and the CEO may attend the Compensation Committee meetings, and the Compensation Committee chairman determines the attendance of other Board members, Executive Board members, senior management, compensation advisers and external legal counsel, as appropriate.

In January of each year, the Compensation Committee meets, with the Chairman and the CEO present, for the primary purpose of reviewing the performance of the Group, businesses and their respective management teams for the previous year. This provides the basis for a recommendation of the overall variable incentive compensation pools (pools) for the business divisions and corporate functions for approval by the Board. During its annual performance review, the Compensation Committee considers input from the chairmen of the Risk and Audit Committees, who may also attend the Compensation Committee meeting in January. The Risk Committee provides input to the Compensation Committee with respect to risk considerations and the Audit Committee provides input with respect to internal control considerations. The Compensation Committee approves the compensation for the Head of Internal Audit after consulting with the Audit Committee chairman.

The Compensation Committee also considers input from the Group's internal control functions. Specifically this includes contributions from Risk Management, General Counsel, Compliance and Regulatory Affairs, and Internal Audit, regarding control and compliance issues and any breaches of relevant rules and regulations or the Group's Code of Conduct. The Compensation Committee reviews the impact on the recommended amount of variable incentive compensation of individuals who have been subject to the Group's disciplinary processes.

To meet regulatory guidelines regarding employees engaged in risk-taking activities, the Compensation Committee reviews and approves the compensation for employees identified as Material Risk Takers and Controllers (MRTC). The Risk Committee is involved in the review process for MRTC.

▸ Refer to "Material Risk Takers and Controllers" in Focus on risk and control – Covered employees (including Material Risk Takers and Controllers) for further information.

During 2015, the Compensation Committee held 14 meetings (including telephone conferences), with the following focus areas:

- reviewing the level and form of compensation for Executive Board members in light of the changes in the Group's organizational and leadership structure;
- reviewing the level of compensation and timing of payment for members of the Board, taking into account the key issues raised by shareholders in 2014 and 2015;
- assessing the performance of the Group and determining the pools under the former and revised divisional structures;
- monitoring global regulatory and market trends with respect to compensation at financial institutions and assessing the obligations imposed by the Compensation Ordinance;
- reviewing the approach for compensating employees subject to the ongoing developments in regulations, such as CRD IV regulations;
- overseeing management's actions relating to the involvement of the risk management function within the performance assessment and compensation process, in particular regarding Covered Employees and MRTC, in line with regulatory guidance; and
- monitoring the link between employee behavior and compensation levels, including any impact of employee misconduct on compensation and the application of malus provisions.

The Compensation Committee chairman maintains an active dialogue with the Group's principal regulators about compensation governance and plans. In addition, he engages with shareholders and their representatives regarding the compensation policy and plans.

### Approval authority

The approval authorities for setting compensation policy and compensation for different groups of employees are defined in the Group's OGR and the Compensation Committee charter available at *www.credit-suisse.com/governance*.

Board approval, based on the recommendation of the Compensation Committee, is required to:

- establish or amend the Group's compensation policy;
- establish or amend the compensation plans;
- determine the pools for the Group and divisions;
- determine compensation for the Executive Board members, including the CEO, subject to the shareholder approval requirement pursuant to the Compensation Ordinance; and
- determine compensation of the Board, including the Chairman, subject to the shareholder approval requirement pursuant to the Compensation Ordinance.

Compensation Committee approval is required for compensation decisions with respect to:

- the Head of Internal Audit (in consultation with the Audit Committee chairman);
- MRTC; and
- other selected members of management.

**Impact of regulation on compensation**

Many of the Group's regulators, including FINMA, focus on compensation. The requirements of FINMA are set out in FINMA's Circular on Remuneration Schemes (Circular). Additionally, several regulators, including those in the US, the EU and the UK, impose requirements that differ from, or supplement, the FINMA requirements. Therefore, the Group's plans comply globally with the Circular and, to the extent local requirements differ from or supplement those standards, plans are adapted locally in the relevant jurisdiction. This generally results in additional terms, conditions and processes being implemented in the relevant locations. The Group continuously monitors regulatory and legislative developments in all applicable jurisdictions, as well as industry best practices in compensation and guidance issued by various regulatory bodies.

**Determination of variable incentive compensation pools**

In determining the pools, the Compensation Committee aims to balance the distribution of the Group's profits between shareholders and employees. The primary measure of performance for determining the pools of the Group and business divisions is economic contribution. The methodology to determine the Group and divisional pools also takes into account key performance metrics and certain non-financial criteria, including risk and control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment.

Economic contribution is measured at both the Group and divisional levels as income before taxes and variable incentive compensation expense, after deducting a capital usage charge that is calculated based on regulatory capital. For 2015, regulatory capital was defined for each division as the average of 10% of average divisional ◇ Basel III ◇ risk-weighted assets and 2.7% of average divisional leverage exposure, reflecting assumptions of increased regulatory requirements. At the beginning of 2015, the leverage exposure requirement stood at 2.4% and was then expected to increase to a minimum of 3.0% by year-end, resulting in the transitional assumption of 2.7% for the full year 2015. Regulatory capital is defined for the Group as the sum of its divisional components. For economic contribution, the Group and divisional results exclude significant litigation provisions and settlements, restructuring expenses, funding valuation adjustments and other significant items as approved by the Compensation Committee. For 2015, the goodwill impairment charge of CHF 3.8 billion, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000, was excluded from the economic contribution calculation on the basis that this impairment charge was not relevant to operating performance for the purposes of determining the pools. The economic contribution calculation for the Group also excludes fair value gains and losses from movements in own credit spreads. This measure of economic contribution considers the profitability of the divisions and the Group and the capital utilized to achieve this profitability. The Compensation Committee intends to achieve a more balanced distribution of economic contribution between employees and shareholders over the long term, subject to Group performance and market conditions.

The pools are determined on an annual basis, and accruals for the divisional and Group-wide pools are made throughout the year. The Compensation Committee regularly reviews the accruals and related financial information and applies adjustments in exceptional circumstances to ensure that the overall size of the pools is consistent with the Group's compensation objectives. Divisional pools for 2015 were determined based on the revised divisional structure announced on October 21, 2015.

The total amount of the pool for the corporate functions is not linked to the performance of the particular divisions that employees of the corporate functions support, but takes into account the Group-wide financial performance, measured in the form of Group economic contribution and qualitative measures. Therefore, employees working in the corporate functions, including those performing control functions, are remunerated independently from the performance of the businesses they oversee and support. As with the business divisions, risk, control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment, are taken into account. After the pool has been determined for the corporate functions, a deduction is applied to the pool of each business division, following a consistent allocation approach, to fund the pool for the employees of the corporate functions.

Once the pools have been set at the Group and divisional levels, each business division allocates its pool to its business areas, based on the same or similar factors as used to determine the divisional pool. Capital usage and risk are factored into the pools as they are allocated within business areas. Through this process, business area managers recognize that capital usage is a significant factor in determining the pool for the business area under their responsibility. The pools are allocated to line managers who award variable incentive compensation to employees based on individual and business area performance, subject to the constraints of the pool size. The corporate functions pool is allocated to the various functions within the corporate functions based on factors such as the achievement of performance objectives, compliance with policies and regulations, and market conditions.

### Competitive benchmarking

The assessment of the economic and competitive environment is another important element of the compensation process as the Group strives for market-informed, competitive compensation levels. Internal expertise and the services of compensation consulting firms are used to benchmark compensation levels against relevant peers, taking into account geographical variations. The Compensation Committee is provided with regular reports from the compensation adviser, McLagan, on industry and market trends, including competitor performance and pay trends, throughout the year.

### Focus on risk and control

Risk and control considerations are an integral part of the performance assessment and compensation processes. This ensures that the Group's approach to compensation includes a focus on risk and internal control matters and discourages excessive risk taking.

#### Role of control functions

In order to align profitability and risk when determining annual performance objectives and results, all employees are assessed on a set of business conduct behaviors that include adherence to the Code of Conduct, challenge and escalation, incident reporting, quality assurance and work prioritization. In addition to the annual performance assessment conducted by their line managers, employees who have breached Group policies or procedures are subject to a review process by the Group's control functions, which impacts decisions regarding individual variable incentive compensation awards. The control functions are independent from the businesses and include General Counsel, Compliance and Regulatory Affairs, Risk Management, Finance, Internal Audit, and Human Resources, Communications & Branding. Disciplinary review committees include the input of the Group's control functions and make recommendations on disciplinary measures, as necessary. Such measures can include dismissal, as well as the reduction or elimination of the employee's variable incentive compensation award for the current year and deferred compensation awards from prior years, in line with the applicable malus provisions. The Board's Audit and Risk Committees are periodically provided with information on the disciplinary cases and may give directional input regarding the appropriateness of disciplinary outcomes. The results of the disciplinary review committees' assessment and any disciplinary measures are communicated to the Compensation Committee, together with details of any impact on variable incentive compensation.

#### Covered Employees (including Material Risk Takers and Controllers)

Material Risk Takers and Controllers

MRTC include employees who, either individually or as a part of a group, are considered to have a potentially material impact on the Group's risk profile. The criteria for classifying individuals as MRTC for the Group are approved by the Board upon recommendation by the Compensation and Risk Committees.

Employees meeting one or more of the following criteria are identified as MRTC:

- members of the Executive Board;
- employees who report directly to a member of the Executive Board: i) in the business divisions, these include employees responsible for managing significant lines of business of the Group and members of divisional management committees; and ii) in the corporate functions of Internal Audit, Finance, Risk Management, General Counsel, Compliance and Regulatory Affairs, and Human Resources, Communications & Branding, these include senior control personnel who are responsible for monitoring individuals or groups of individuals who manage material amounts of risk for the Group;
- employees, either individually or as part of a group, with the ability to put material amounts of the Group's capital at risk (these include traders, and others who are authorized to manage, supervise or approve risk exposure that could have a material or significant effect on the Group's financial results);

- the top 150 paid employees across the Group (based on total compensation), regardless of seniority or function;
- all UK managing directors and other employees, who based on the significance of their functions in the UK and the potential impact of their risk-taking activities on the UK entities meet the "PRA Code Staff" definition of the Group's UK regulator, the Prudential Regulation Authority (PRA); and
- other individuals, whose roles, individually or as part of a group, have been identified as having a potential impact on the market, reputational or operational risk of the Group.

### Compensation process for Covered Employees

A broader group of employees collectively known as Covered Employees are also subject to the compensation processes that apply to MRTC. This population includes all MRTC and all US-based revenue producers in the Global Markets and Investment Banking & Capital Markets divisions. In addition, all branch managers of the US domestic private banking business were included in this population, but they were not eligible for variable incentive compensation for 2015 following the exclusive recruiting agreement with Wells Fargo announced in October 2015.

Covered Employees are subject to heightened levels of scrutiny over the alignment of their performance and compensation. Covered Employees and their managers are required to incorporate risk considerations in their performance objectives and evaluations. This includes specifying the types of risk applicable to the individual employee when setting annual risk objectives, assessing risk performance and subsequently setting risk-adjusted variable incentive compensation. The types of risk considered vary by role and include reputational, credit, market, operational, liquidity, and legal and compliance risks. Risk is assessed in the context of both realized and potential risk outcomes.

**Malus provisions**

All deferred compensation awards contain provisions that enable the Group to reduce or cancel the awards prior to settlement if the conduct of the individual has a materially detrimental impact on the Group, evidences serious misbehavior or error or is reviewed by the Group's relevant disciplinary committee.

Additional malus provisions are triggered where the behavior or performance of the individual causes, or could cause:

- a material downturn in the financial performance or regulatory capital base of the Group, or any of its divisions or regions;
- a material failure of risk management, reputational harm, or other similar events; or
- a combination of the above, as determined by the Board at its sole discretion.

Performance share awards contain further provisions that can result in a downward adjustment or cancellation of the full balance of deferred awards, in the event of future negative business performance. These additional provisions can apply regardless of whether the individual employee in question contributed to that performance.

▸ Refer to "Compensation design" for further information on deferred compensation.

▸ Refer to "Performance share awards" in Compensation design – Deferred variable incentive compensation instruments for details of these awards and the performance-based malus provisions and to the table "Potential downward adjustments of performance share and STI awards" for specific downward adjustments that may be applied.

**Clawback provisions**

While malus provisions referenced above only affect deferred awards prior to settlement, regulations enacted by the PRA require additional "clawback" provisions enabling the Group, subject to conditions, to claim back variable incentive compensation even after vesting and distribution to PRA Code Staff.

The clawback provision applies to all variable incentive compensation (including deferred and non-deferred items such as the cash component of variable incentive compensation) granted to PRA Code Staff. The clawback may be enforced by the Group at any time up to seven years from the grant date of the variable incentive compensation in the event that:

- the individual participated in or was responsible for conduct which resulted in significant losses to the Group;
- the individual failed to meet appropriate standards of fitness and propriety, assessed by reference to factors including i) honesty, integrity and reputation; ii) competence and capability and iii) financial soundness;
- there is reasonable evidence of misbehavior by the individual or material error made by the individual; or
- the Group or the relevant business unit suffers a material failure of risk management.

For PRA Code Staff in jurisdictions other than the UK, the Group will, as circumstances deem necessary, pursue the application of the above clawback provisions to the extent permitted under local laws.

**Compensation design**

The Group's total compensation approach is comprised of fixed and variable incentive compensation. Fixed compensation includes base salary, which reflects seniority, experience, skills and market practice, and fixed allowances for certain employees. Variable incentive compensation is awarded annually and is dependent on Group, divisional and individual performance. The percentage mix between fixed and variable incentive compensation varies according to the employee's seniority, business and location.

Variable incentive compensation for 2015 was awarded primarily in the form of cash, share-based awards and CCA. Share-based awards and CCA are deferred variable incentive compensation instruments that vest and settle in the future as described further below.

## Employee categories and components of total compensation for 2015

| | Total compensation | | | | |
|---|---|---|---|---|---|
| | Fixed compensation | Variable compensation | | | |
| | | | Deferred compensation[1] | | |
| Employee category | Base salary | Cash | Share awards | Performance share awards | Contingent Capital Awards |
| Managing directors and directors who are MRTC | | | 30% | 50% | 20% |
| Other directors | | | 80% | | 20% |
| Other MRTC | | | 50% | 50% | |
| Other employees with total compensation above CHF/USD 250,000 | | | 100% | | |
| Employees with total compensation below CHF/USD 250,000 | | | | | |

[1] Deferred compensation is applicable to employees with total compensation of CHF/USD 250,000 or higher.

### Base salaries

All employees are paid a base salary. Salary levels are based on the skills, qualifications and relevant experience of the individual, the responsibilities required by the role and external market factors.

### Fixed Allowances

Fixed allowances are a component of fixed compensation awarded to certain PRA Code Staff and other employees identified as risk-takers under EU regulatory requirements. These fixed allowances are determined based on the role and organizational responsibility of the individuals. Subject to certain conditions, fixed allowances are deemed to be fixed compensation for the purposes of calculating the cap of variable incentive compensation as required by the CRD IV. Fixed allowances for 2015 were paid entirely in cash on a non-deferred basis.

### Variable incentive compensation and deferral rates

For 2015, variable incentive compensation was paid in cash unless the total compensation awarded to an employee for 2015 was greater than or equal to CHF 250,000 or the local currency equivalent or USD 250,000 for employees whose total compensation is denominated in US dollars, in which case a portion was paid in cash and the balance was deferred, vesting at a later date. The deferred portion was defined by a deferral table whereby the portion of deferred compensation increased with higher levels of total compensation. To enable closer alignment with market practice and local variations, in 2015 two deferral tables were applied: one for the Americas and another for the rest of the world. The deferral rates for 2015 (other than for employees with fixed allowances) ranged from 17.5% to 60% of variable incentive compensation for employees located in the Americas, and 17.5% to 85% of variable incentive compensation for employees located elsewhere. Consequently, the overall level of variable incentive compensation deferred was lower than in 2014, which reduces the financial deferral of expenses for future years and facilitates a more flexible cost base. Consistent with 2014, the amount of variable incentive compensation paid in cash for 2015 was capped at CHF 2 million or the local currency equivalent (or USD 2 million for employees whose total compensation is denominated in US dollars) per employee. For 2015, 43,225 employees received variable incentive compensation, representing 89.7% of total employees, of which 835 were classified as MRTC.

▸ Refer to the table "Number of employees awarded variable incentive and other compensation" for further information.

### Cash

Generally, employees receive the cash portion of their variable incentive compensation at a regular payroll settlement date close to the grant date.

### Blocked share awards

To comply with CRD IV requirements, employees who hold key roles in respect of certain Group subsidiaries in the EU receive shares that are subject to transfer restrictions for 50% of the amount that would have been paid to them as cash. These shares are vested at the time of grant but remain blocked, that is, subject to transfer restrictions, for six months to three years from the date of grant, depending on location.

### Deferred variable incentive compensation instruments

#### Share awards

Each share award entitles the holder of the award to receive one Group share at the delivery date. Share awards are designed to align the interests of employees and shareholders, as well as comply with the expectations of regulators that a substantial portion of variable incentive compensation should be granted in this form.

Share awards vest over three years with one third of the award vesting on each of the three anniversaries of the grant date (ratable vesting). The number of share awards granted was determined by dividing the value of the deferred component of the variable incentive compensation to be granted as share awards by the applicable share price of CHF 19.93, as approved by the Compensation Committee in January 2016. The final value of the share awards is solely dependent on the share price at the time of delivery. While share awards granted between January 1, 2014 and December 31, 2015 do not include the right to receive dividend equivalents, share awards granted after January 1, 2016 include the right to receive dividend equivalents upon vesting. This change in approach is aligned with market practice and ensures that deferred share awards granted to employees carry the same rights and are priced in the same manner as actual Credit Suisse Group AG registered shares. A total of 7,125 employees were granted share awards for 2015.

#### Performance share awards

Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to explicit performance-based malus provisions. Performance share awards granted for 2015 are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as of December 31, 2015, or a negative return on equity attributable to shareholders (ROE) of the Group, whichever results in a larger adjustment. For employees in the corporate functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative ROE of the Group and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted. Outstanding performance share awards granted in previous years are subject to a negative adjustment in the event of a negative strategic ROE of the Group, which is calculated based on Credit Suisse Core Results, adjusted for the goodwill impairment charge related to the re-organization of the former Investment Banking division. For 2015, the strategic ROE was positive and all divisions achieved positive pre-tax income results. Therefore, there was no negative adjustment applied to the performance share awards in 2015.

The amount of the potential negative adjustment for a loss at the divisional level, which is applicable to all outstanding performance share awards (including the STI awards of Executive Board members who lead business divisions), is shown in the following table.

**Potential downward adjustments of performance share and STI awards**

| Downward adjustment if division incurs a loss | |
|---|---|
| Division pre-tax loss (in CHF billion) | Adjustment on award balance (in %) |
| (1.00) | (15%) |
| (2.00) | (30%) |
| (3.00) | (45%) |
| (4.00) | (60%) |
| (5.00) | (75%) |
| (6.00) | (90%) |
| (6.67) | (100%) |

As in the case of share awards, performance share awards granted between January 1, 2014 and December 31, 2015 do not include the right to receive dividend equivalents, while performance share awards granted after January 1, 2016 include the right to receive dividend equivalents upon vesting. A total of 1,760 employees were granted performance share awards for 2015. Managing directors and almost all employees classified as MRTC received at least 50% of their deferred variable incentive compensation in the form of performance share awards.

#### Contingent Capital Awards (CCA)

CCA are a form of deferred award that have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market, such as the high-trigger contingent convertible capital instruments. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents; for CCA granted in January 2016, interest rate equivalents are paid until settlement at a rate of 4.23% per annum over the six-month Swiss franc ◔ London Interbank Offered Rate (LIBOR) for Swiss franc-denominated awards or 5.41% per annum over the six-month US dollar LIBOR for US dollar-denominated awards. This rate was set in line with market conditions at the time of grant and with existing high-trigger and low-trigger contingent capital instruments that the Group has issued. CCA are not traded in the debt markets. Employees who were awarded compensation in Swiss francs received CCA denominated in Swiss francs, while employees who were awarded compensation in currencies other than Swiss francs received CCA denominated in US dollars.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from grant. However, because CCA qualify as going-concern loss-absorbing capital of the Group, the timing and form of distribution upon settlement is subject to approval by FINMA. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the ◔ fair value of the CCA. The fair value will be determined by the Group. In the case of a cash settlement, the CCA award currency denomination will be converted into the local currency of each respective employee.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero and canceled if any of the following trigger events were to occur:

- the Group's reported common equity tier 1 (CET1) ratio falls below 7%; or
- FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that the Group requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

These terms are similar to those of the outstanding tier 1 high-trigger capital instruments that the Group has issued since 2011. However, unlike the Group's outstanding tier 1 high-trigger instruments, the CCA would not convert into common equity, but would be written down to zero upon a trigger event.

The total CCA awarded for 2015 was CHF 226 million and a total of 5,789 employees received CCA for 2015.

### Other awards

The Group may employ other compensation plans or programs to facilitate competitive hiring practices and to support the retention of talent. These variations from the standard approach apply to a small population of employees where specific circumstances justify special compensation arrangements. For 2015, this applied to approximately 236 employees. These variations from the standard approach must be approved by the Compensation Committee.

The Group also pays commissions to employees operating in specific areas of the business, in line with market practice. These commissions are calculated based on formulas, and are reviewed regularly to ensure that they remain at competitive levels.

### Limitations on share-based awards

The Group prohibits employees from entering into transactions to hedge the value of outstanding share-based awards but allows employees to hedge awards that have already vested. Employee pledging of vested and unvested share-based awards is also prohibited, except with the express approval of the Compensation Committee. The Group generally applies minimum share ownership requirements, inclusive of unvested awards, as follows:

- Employees in divisional management committees: 50,000 shares; and
- Employees in functional management committees: 20,000 shares.

▸ Refer to "Minimum share ownership requirements" in Executive Board Compensation – Other aspects of Executive Board compensation for further information on minimum share ownership requirements for Executive Board members.

### Total compensation awarded

The following table shows the value of total compensation awarded to employees for 2015 and 2014.

## Total compensation awarded

| For | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Deferred | **Total** | Unrestricted | Deferred | Total |
| **Fixed compensation (CHF million)** | | | | | | |
| Salaries | 5,714 | | 5,714 | 5,417 | 89 | 5,506 |
| Social security | 788 | – | 788 | 793 | – | 793 |
| Other | 707 [1] | – | 707 | 657 [1] | – | 657 |
| **Total fixed compensation** | **7,209** | **–** | **7,209** | **6,867** | **89** | **6,956** |
| **Variable incentive compensation (CHF million)** | | | | | | |
| Cash | 1,662 | | 1,662 | 1,653 | | 1,653 |
| Share awards | 12 | 549 | 561 | 36 | 642 | 678 |
| Performance share awards | – | 429 | 429 | – | 529 | 529 |
| Contingent Capital Awards | – | 226 | 226 | – | 360 | 360 |
| Other cash awards | – | 42 | 42 | – | 54 | 54 |
| **Total variable incentive compensation** | **1,674** | **1,246** | **2,920** | **1,689** | **1,585** | **3,274** |
| **Other variable compensation (CHF million)** | | | | | | |
| Cash severance awards | 35 | – | 35 | 176 | – | 176 |
| Cash-based commissions | 222 | – | 222 | 220 | – | 220 |
| Other [2] | 27 | 195 | 222 | 13 | 58 | 71 |
| **Total other variable compensation** | **284** | **195** | **479** | **409** | **58** | **467** |
| **Total compensation awarded (CHF million)** | | | | | | |
| **Total compensation awarded** | **9,167** | **1,441** | **10,608** | **8,965** | **1,732** | **10,697** |
| of which guaranteed bonuses [3] | – | – | 83 | – | – | 51 |

[1] Includes pension and other post-retirement expense of CHF 359 million and CHF 361 million in 2015 and 2014, respectively.
[2] Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.
[3] Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Total compensation awarded for 2015 was CHF 10,608 million, down 1% compared to 2014, with lower variable incentive and other compensation partially offset by higher fixed compensation. Total variable incentive compensation awarded for 2015 was CHF 2,920 million, down 11% compared to 2014. The divisional pools for Global Markets and Investment Banking & Capital Markets decreased by more than 30%, a substantial reduction compared to 2014 levels, reflecting the weaker financial performance of these divisions for 2015 compared to 2014. Of the total variable incentive compensation awarded across the Group for 2015, 43% was deferred, compared to 48% in 2014, and subject to certain conditions including future service, performance, market and malus criteria. This reduction in deferral rates is part of an initiative to gradually reduce the amortization impact of deferred compensation on future financial years.

Cash severance awards relating to terminations of employment of CHF 106 million and CHF 189 million were paid in 2015 and 2014 to 760 and 1,552 employees, respectively. Other awards, including replacement awards, sign-on payments and retention awards, of CHF 222 million and CHF 71 million were paid to 925 and 216 employees in 2015 and 2014, respectively.

## Number of employees awarded variable incentive and other compensation

| | MRTC [1] | Other employees | **2015 Total** | MRTC [1] | Other employees | 2014 Total |
|---|---|---|---|---|---|---|
| **Number of employees awarded variable compensation** | | | | | | |
| **Variable compensation** | **835** | **42,390** | **43,225** | **801** | **41,008** | **41,809** |
| of which cash | 602 | 42,346 | 42,948 | 801 | 41,008 | 41,809 |
| of which share awards | 802 | 6,323 | 7,125 | 789 | 6,794 | 7,583 |
| of which performance share awards | 783 | 977 | 1,760 | 764 | 988 | 1,752 |
| of which Contingent Capital Awards | 782 | 5,007 | 5,789 | 767 | 5,124 | 5,891 |
| of which other cash awards | 61 | 175 | 236 | 63 | 230 | 293 |
| **Number of employees awarded other variable compensation** | | | | | | |
| Cash severance awards | 10 | 750 | 760 | 6 | 1,546 | 1,552 [2] |
| Cash-based commissions | – | 396 | 396 | – | 357 | 357 |
| Guaranteed bonuses | 7 | 177 | 184 | 9 | 129 | 138 |
| Other [3] | 50 | 875 | 925 | 13 | 203 | 216 |

[1] Excludes individuals who may have been classified as MRTC according to regulatory requirements of jurisdictions outside of Switzerland, particularly US-based revenue producers in Global Markets and Investment Banking & Capital Markets, who were classified as Covered Employees by the US Federal Reserve, and PRA Code Staff.
[2] Includes employees who received cash severance awards for termination of employment as of December 31, 2014.
[3] Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.

### Compensation awarded to Material Risk Takers and Controllers

The 835 employees classified as MRTC were awarded total compensation of CHF 1,396 million for 2015 and total variable incentive compensation of CHF 835 million for 2015, of which CHF 587 million, or 70%, was deferred. MRTC received 50% of their deferred compensation for 2015 in the form of performance share awards or other awards which are subject to performance-based malus provisions.

## Compensation awarded to Material Risk Takers and Controllers

| For | Unrestricted | Deferred | 2015 Total | Unrestricted | Deferred | 2014 Total |
|---|---|---|---|---|---|---|
| **Fixed compensation (CHF million)** | | | | | | |
| **Total fixed compensation** | **470** | **–** | **470** | **492** | **–** | **492** |
| **Variable incentive compensation (CHF million)** | | | | | | |
| Cash | 248 | – | 248 | 191 | – | 191 |
| Share awards | – | 176 | 176 | – | 278 | 278 |
| Performance share awards | – | 254 | 254 | – | 426 | 426 |
| Contingent Capital Awards | – | 104 | 104 | – | 191 | 191 |
| Other cash awards | – | 53 | 53 | – | 48 | 48 |
| **Total variable incentive compensation** | **248** | **587** | **835** | **191** | **943** | **1,134** |
| **Other variable compensation (CHF million)** | | | | | | |
| Cash severance awards | 8 | – | 8 | 5 | – | 5 |
| Cash-based commissions | – | – | – | – | – | – |
| Other [1] | 2 | 81 | 83 | – | 13 | 13 |
| **Total other variable compensation** | **10** | **81** | **91** | **5** | **13** | **18** |
| **Total compensation (CHF million)** | | | | | | |
| **Total compensation** | **728** | **668** | **1,396** | **688** | **956** | **1,644** |
| of which guaranteed bonuses [2] | 2 | 9 | 11 | 2 | 5 | 7 |

[1] Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.
[2] Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

### Group compensation and benefits expense

Compensation and benefits expenses recognized in the current year income statement include salaries, fixed allowances, variable incentive compensation, benefits and employer taxes on compensation. Variable incentive compensation expense mainly reflects the cash compensation for the current year, amortization of deferred compensation awards granted in prior years, and severance, sign-on and commission payments. Deferred variable incentive compensation granted for the current year is expensed in future periods during which it is subject to future service, performance, malus criteria and other restrictive covenants.

In 2015, total compensation and benefits expenses were 2% higher compared to 2014, mainly driven by higher fixed compensation expenses. Although variable incentive compensation awarded in 2015 decreased 11% compared to 2014, variable incentive compensation expense decreased by 1% compared to 2014 due to the impact of lower deferral rates in 2015.

## Group compensation and benefits expense

| in | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| December 31 | Current compensation | Deferred compensation | **Total** | Current compensation | Deferred compensation | Total |
| **Fixed compensation expense (CHF million)** | | | | | | |
| Salaries | 5,714 | 37 | 5,751 | 5,417 | 18 | 5,435 |
| Social security [1] | 788 | – | 788 | 793 | – | 793 |
| Other | 707 [2] | – | 707 | 657 [2] | – | 657 |
| **Total fixed compensation expense** | **7,209** | **37** | **7,246** | **6,867** | **18** | **6,885** |
| **Variable incentive compensation expense (CHF million)** | | | | | | |
| Cash | 1,662 | | 1,662 | 1,653 | – | 1,653 |
| Share awards | 12 | 819 [3] | 831 | 36 | 921 [3] | 957 |
| Performance share awards | – | 563 | 563 | – | 611 | 611 |
| Contigent Capital Awards | – | 430 | 430 | – | 214 | 214 |
| Capital Opportunity Facility Awards | – | 16 | 16 | – | 13 | 13 |
| Plus Bond awards | – | 22 | 22 | – | 36 | 36 |
| 2011 Partner Asset Facility awards [4] | – | 2 | 2 | – | 7 | 7 |
| Restricted Cash Awards | – | 39 | 39 | – | 92 | 92 |
| Scaled Incentive Share Units [5] | – | – | – | – | (3) | (3) |
| 2008 Partner Asset Facility awards [4] | – | 34 | 34 | – | 87 | 87 |
| Other cash awards | 6 | 410 | 416 | – | 404 | 404 |
| Discontinued operations | – | – | – | – | (8) | (8) |
| **Total variable incentive compensation expense** | **1,680** | **2,335** | **4,015** | **1,689** | **2,374** | **4,063** |
| **Other variable compensation expense (CHF million)** | | | | | | |
| Severance payments | 35 | – | 35 | 152 | – | 152 |
| Commissions | 222 | – | 222 | 221 | – | 221 |
| Other | 28 | – | 28 | 13 | – | 13 |
| **Total other variable compensation expense** | **285** | **–** | **285** | **386** | **–** | **386** |
| **Total compensation expense (CHF million)** | | | | | | |
| **Total compensation expense** | **9,174** | **2,372** | **11,546** [6] | **8,942** | **2,392** | **11,334** [6] |

[1] Represents the Group's portion of employees' mandatory social security.
[2] Includes pension and other post-retirement expense of CHF 359 million and CHF 361 million in 2015 and 2014, respectively.
[3] Includes CHF 25 million and CHF 19 million of compensation expense associated with replacement share awards granted in 2015 and 2014, respectively.
[4] Includes the change in the underlying fair value of the indexed assets during the period.
[5] Includes forfeitures.
[6] Includes severance and other compensation expense relating to headcount reductions of CHF 89 million and CHF 275 million in 2015 and 2014, respectively.

### Group estimated unrecognized compensation expense

The following table shows the estimated compensation expense that has not yet been recognized through the income statement for deferred compensation awards granted for 2015 and prior years that were outstanding as of December 31, 2015, with comparative information for 2014. These estimates were based on the fair value of each award on the grant date, taking into account the current estimated outcome of relevant performance criteria and estimated future forfeitures. No estimate has been included for future mark-to-market adjustments.

## Group estimated unrecognized compensation expense

| in | Deferred compensation | | 2015 | Deferred compensation | | 2014 |
|---|---|---|---|---|---|---|
| | For 2015 | For prior-year awards | **Total** | For 2014 | For prior-year awards | Total |
| **Estimated unrecognized compensation expense (CHF million)** | | | | | | |
| Share awards | 521 | 573 [1] | 1,094 | 643 | 762 [1] | 1,405 |
| Performance share awards | 386 | 165 | 551 | 533 | 231 | 764 |
| Contingent Capital Awards | 259 | 230 | 489 | 418 | 210 | 628 |
| Capital Opportunity Facility awards | – | – | – | – | 5 | 5 |
| Plus Bond awards [2] | – | – | – | – | 4 | 4 |
| Adjustable Performance Plan share awards | – | – | – | – | – | – |
| Adjustable Performance Plan cash awards | – | – | – | – | – | – |
| Restricted Cash Awards | – | – | – | – | 41 | 41 |
| Other cash awards | 42 | 176 | 218 | 55 | 166 | 221 |
| **Estimated unrecognized compensation expense** | **1,208** | **1,144** | **2,352** | **1,649** | **1,419** | **3,068** |

[1] Includes CHF 59 million and CHF 39 million of estimated unrecognized compensation expense associated with replacement share awards granted to new employees in 2015 and 2014, respectively, not related to prior years.
[2] Represents share awards reallocated to Plus Bond awards through the employee voluntary reallocation offer, with vesting in 2016, after consideration of estimated future forfeitures.

▸ Refer to "Discontinued compensation plans" for descriptions of the awards granted in years prior to 2014.

### Impact of share-based compensation on shareholders' equity

In general, the income statement expense recognition of share-based awards on a pre-tax basis has a neutral impact on shareholders' equity because the reduction to shareholders' equity from the expense recognition is offset by the obligation to deliver shares, which is recognized as an increase to equity by a corresponding amount. Shareholders' equity includes, as additional paid-in capital, the tax benefits associated with the expensing and subsequent settlement of share-based awards.

Prior to 2011, the Group covered its share delivery obligations to employees primarily by purchasing shares in the market. When the Group purchases shares from the market to meet its share delivery obligations, these purchased shares reduce equity by the amount of the purchase price.

For the period 2011-2013, share delivery obligations were covered mainly through issuances of shares from conditional capital. In the second half of 2013, the Group resumed purchasing shares in the market to cover a portion of its share delivery obligations. In 2014 the majority of the Group's share delivery obligations was covered through market purchases and in 2015 share delivery obligations were fully covered through market purchases. Currently, the Group intends to cover its future share delivery obligations through market purchases or through the utilization of available conditional capital.

### Share-based awards outstanding

At the end of 2015, there were 136.2 million share-based awards outstanding, including 80.3 million share awards and 55.9 million performance share awards.

Holders of all forms of outstanding and unsettled share-based awards were not eligible to participate in the rights offering approved on November 19, 2015, since the rights were only issued in connection with Credit Suisse Group AG registered shares. Consistent with the terms of the Credit Suisse Group AG Master Share Plan, the number of outstanding deferred share-based awards held by each individual was increased by 2.89% to compensate for the proportionate dilution of Credit Suisse Group AG registered shares resulting from the rights offering. The terms and conditions of the adjusted shares were the same as the existing share-based awards.

### Subsequent activity

In early 2016, the Group granted approximately 28.8 million new share awards and 21.3 million new performance share awards with respect to performance in 2015. Further, the Group awarded CHF 226 million of deferred variable incentive compensation in the form of CCA pursuant to the Group's compensation policy.

In the first half of 2016, the Group plans to settle 62.2 million deferred awards from prior years, including 35.3 million share awards and 25.6 million performance share awards. The Group plans to meet this delivery obligation through market purchases or through the utilization of available conditional capital.

▸ Refer to "Regulatory capital and ratios" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – BIS Capital Metrics for more information.

### Value changes of outstanding deferred awards

Employees experience changes to the value of their deferred compensation awards during the vesting period due to both implicit and explicit value changes. Implicit value changes primarily reflect market driven effects, such as changes in the Group share price, changes in the value of the Capital Opportunity Facility (COF), the 2008 Partner Asset Facility (PAF), CCA and underlying Plus Bond assets or foreign exchange rate movements. Explicit value changes reflect risk adjustments triggered by malus provisions related to negative performance in the performance share awards or the malus provisions in all deferred awards. The final value of an award will only be determined at settlement.

▸ Refer to "Discontinued compensation plans" for further information on COF, CCA, Plus Bond and PAF.

The following table provides a comparison of the fair values of outstanding deferred compensation awards at the end of 2014 and 2015, indicating the value of changes due to implicit and explicit adjustments. For 2015, the change in fair value for the outstanding deferred compensation awards was due to implicit adjustments driven primarily by changes in the Group share price, foreign exchange rate movements and changes in the value of CCA and Plus Bond assets.

## Fair value of outstanding deferred compensation awards

| | | Change in value | | |
|---|---|---|---|---|
| in / end | 2014 | Implicit | Explicit | **2015** |
| **Share-based awards (CHF per unit)** | | | | |
| Share awards granted for 2012 [1] | 25.1 | (3.4) | 0.0 | 21.7 |
| Share awards granted for 2013 [2] | 25.1 | (3.4) | 0.0 | 21.7 |
| Share awards granted for 2014 [3] | 16.9 | 4.8 | 0.0 | 21.7 |
| Performance share awards granted for 2012 [1] | 25.1 | (3.4) | 0.0 | 21.7 |
| Performance share awards granted for 2013 [2] | 25.1 | (3.4) | 0.0 | 21.7 |
| Performance share awards granted for 2014 [3] | 16.9 | 4.8 | 0.0 | 21.7 |
| **Cash-based awards (CHF per unit)** | | | | |
| 2008 Partner Asset Facility awards (PAF) | 2.40 | 0.06 | 0.00 | 2.46 |
| Plus Bond awards granted for 2012 [1] | 1.42 | 0.18 | 0.00 | 1.60 |
| Contingent Capital Award for 2013 [2] | 1.11 | 0.08 | 0.00 | 1.19 |
| Contingent Capital Award for 2014 [3] | 1.00 | 0.26 | 0.00 | 1.26 |
| Contingent Capital Award from converted PAF2 award | 1.13 | 0.05 | 0.00 | 1.18 |
| Capital Opportunity Facility from converted PAF2 award | 1.16 | 0.07 | 0.00 | 1.23 |

[1] Represents awards granted in January 2013 for 2012.
[2] Represents awards granted in January 2014 for 2013.
[3] Represents awards granted in January 2015 for 2014.

## EXECUTIVE BOARD COMPENSATION

During 2015 there were significant changes to the composition of the Executive Board, with five individuals stepping down and seven individuals becoming Executive Board members. Moreover, in pursuit of a rebalanced business strategy, Credit Suisse announced on October 21, 2015 a substantially revised management and financial reporting structure. Consequently, the previous basis for determining Executive Board compensation, which was based largely on Group and divisional performance against pre-determined targets, could not be applied for the full year. Modifications to the basis for determining variable incentive compensation for 2015 were required, and different approaches were applied to different Executive Board members depending on the amount of time they served on the Executive Board during 2015. This resulted in four categories of Executive Board members and the approaches to determining their respective variable incentive compensation levels are summarized in the table below "Overview of approaches to variable incentive compensation determination in 2015".

In response to shareholder requests that the Group's new strategic direction and communicated financial goals be fully reflected in compensation arrangements for the Executive Board, the Compensation Committee initiated a review of the existing compensation design and agreed upon appropriate amendments. Consequently, 2015 also represents a transition period between the compensation structure envisaged in the 2014 Annual Report and the new compensation structure that will be fully implemented for the 2016 performance year. The awards granted for 2015 will include the previous form of STI awards based on the performance during 2015. No LTI awards will be granted for the 2015 transition year. LTI awards are being granted in 2016 in a new form that is not determined by past performance, rather, the amounts ultimately payable will be based on future performance outcomes measured against pre-determined targets over a period of three years from the date of grant, followed by vesting and delivery in three installments over two years on the third, fourth and fifth anniversaries of the grant date. This is to ensure that long-term incentive opportunities of the Executive Board are closely tied to the realization of the new strategic plan and the achievement of the communicated financial goals. The new LTI award is described in more detail in a later section.

▸ Refer to the chart "Overview of Long-Term Incentive Awards" and "Types of awards" for more details on LTI awards.

All variable incentive compensation recommendations are subject to approval of the Board and are submitted to shareholders as aggregate numbers per proposal for their binding votes at the AGM in April 2016.

### Overview of approaches to variable incentive compensation determination in 2015

| Category | | Approach to determination of variable incentive compensation in 2015 |
|---|---|---|
| Full year Executive Board members | ■ James L. Amine<br>■ Romeo Cerutti<br>■ David R. Mathers<br>■ Joachim Oechslin<br>■ Timothy P. O'Hara | ■ Financial and quantitative targets for the first nine months of 2015 as envisaged in the 2014 Annual Report (under the former organizational structure)<br>■ Financial performance in the fourth quarter of 2015<br>■ Qualitative assessment by the Compensation Committee based on input provided by the CEO, taking into account the performance of the business and individual contributions |
| New joiners appointed to the Executive Board during 2015 | ■ Tidjane Thiam (CEO)[1]<br>■ Pierre-Olivier Bouée[2]<br>■ Peter Goerke[2] | ■ Case by case assessment by the Compensation Committee, based on input provided by the CEO and taking into account the financial performance in the fourth quarter of 2015 and individual contributions<br>■ In the case of the CEO, assessment by the Chairman of the Board (Chairman) and the Compensation Committee taking into account the financial performance in the second half of 2015 as well as individual contribution |
| Existing employees promoted to the Executive Board during 2015 | ■ Thomas P. Gottstein[2]<br>■ Iqbal Khan[2]<br>■ Helman Sitohang[2]<br>■ Lara J. Warner[2] | ■ Pre-existing performance objectives for the first nine months of 2015, assessment of financial performance for the fourth quarter of 2015 and/or individual contributions, as applicable |
| Individuals who ceased to be Executive Board members during 2015 | ■ Brady W. Dougan[3]<br>■ Gaël de Boissard[4]<br>■ Hans-Ulrich Meister[4]<br>■ Robert S. Shafir[4]<br>■ Pamela A. Thomas-Graham[4] | ■ Level of awards subject to individually negotiated separation agreements, taking into consideration performance of the firm and contributions by the individuals |

[1] Effective from July 1, 2015.
[2] Appointed on October 21, 2015 with immediate effect.
[3] Ceased to be a member on June 30, 2015.
[4] Ceased to be a member on October 21, 2015.

## Performance evaluation and compensation decisions for 2015

In January 2016, the Compensation Committee completed its performance evaluation for 2015 for the Group, and the individual assessments of the Executive Board members. Depending on the Executive Board member's length of service on the Executive Board, the overall Group financial results were taken into account either by means of the financial performance evaluation against pre-determined targets, or a qualitative assessment in light of business performance, or both.

### Individuals who were Executive Board members during the entire year of 2015

#### Financial performance evaluation under the previous divisional structure for the first nine months of 2015

For the five individuals who were Executive Board members during the entire year of 2015, variable incentive compensation was determined based on pre-determined financial targets under the previous organizational structure until the end of the third quarter of 2015, as well as a qualitative assessment of performance. At the Group level, ROE for the strategic businesses was 10.8%, above the target of 10.5%, while the Group's strategic cost/income ratio for the nine-month period was 75.7% compared to the target of 73.3%. Excluding the impact of revenue gains from movements in the fair value on own debt of CHF 995 million, the non-strategic businesses recorded a pre-tax loss of CHF 1.9 billion on an annualized basis, compared to the target pre-tax loss of CHF 2.2 billion. In terms of capital reduction targets for the non-strategic businesses, the Group achieved a 28% reduction in risk-weighted assets and a 47% reduction in leverage exposure on an annualized basis, compared to the average year-on-year reduction target of 50%.

In the former Private Banking & Wealth Management division, the cost/income ratio for the nine-month period was 71.6% compared to a target of 69.2%. The non-strategic unit within the Private Banking & Wealth Management division recorded a pre-tax loss of CHF 0.4 billion on an annualized basis, compared to the breakeven pre-tax income target. In terms of capital, the non-strategic unit within Private Banking & Wealth Management reduced risk-weighted assets by 33% and leverage exposure by 27% on an annualized basis, compared to the average year-on-year reduction target of 50%.

The former Investment Banking division achieved a return on regulatory capital of 7.7% for the nine-month period compared to a target of 9.1%, reflecting lower fixed income and underwriting revenues and the challenging market conditions. The non-strategic unit within Investment Banking recorded a pre-tax loss for the period of USD 1.2 billion on an annualized basis, which was a better result than the pre-tax loss target of USD 1.3 billion. In terms of capital reduction targets, the Investment Banking's non-strategic unit ended the third quarter with a 23% reduction in risk-weighted assets and a 48% reduction in leverage exposure on an annualized basis, compared to the average year-on-year reduction target of 50%.

Overall, the corporate functions were in line with their expense targets for the period.

#### Overall financial performance and qualitative assessment

The fourth quarter results were impacted by extremely challenging market conditions, as well as significant items such as the goodwill impairment charge triggered by the organizational changes affecting the former Investment Banking division, restructuring costs and litigation provisions. As a result, the financial performance for the full year 2015 was below expectations. Notwithstanding the foregoing, the new Asia Pacific division achieved strong underlying performance as well as net new assets of CHF 17.8 billion. In the Private Banking business within the International Wealth Management division, mandates penetration (i.e., advisory and discretionary mandates as a percentage of assets under management, excluding assets under management from the external asset manager business), increased to 30% for 2015, up from 23% in 2014, driven by the successful execution of key strategic initiatives. The Swiss Universal Bank delivered solid results for 2015, with strong net new assets of CHF 13.8 billion and mandates penetration of 26%, up from 15% in 2014. In terms of the qualitative assessment, the Compensation Committee acknowledged, in particular, the significant individual contributions during the strategic review process and subsequently during the implementation of the new strategic direction. This included the timely alignment of financial reporting to the new management structure as the basis for the fourth quarter of 2015 earnings release and the 2015 Annual Report, as well as preventing undue staff attrition by diligently handling employee relations issues which typically arise during transition periods that involve considerable organizational and management change.

Taking into account the financial performance and qualitative assessment for the full year, the Compensation Committee recommended for this group of Executive Board members, variable incentive compensation for 2015 granted in the form of STI awards (including cash and deferred awards) that was on average 40% below the value of STI awards granted with respect to the prior year. This reflected the weaker profitability indicators for 2015 overall, which were substantially impacted by underperformance in the fourth quarter of 2015.

## 9M15 performance against targets (applicable to full year members)

| Targets under the previous divisional structure | | Divisional head | | Shared Services head | | 9M15 Performance against targets | | |
|---|---|---|---|---|---|---|---|---|
| | | PB&WM | IB | CFO | Other | Below | Target | Above |
| **Financial performance criteria** | | Weightings [1] | | | | | | |
| **Group** | | | | | | | | |
| ROE (after tax) – strategic results [2] | 10.5% | 30% | 30% | 25% | 25% | | | |
| Cost/income ratio – strategic results [2] | 73.3% | – | – | 15% | 20% | | | |
| Wind-down of non-strategic units | 50.0% year-on-year reduction of risk-weighted assets and leverage exposure (2.5% weighting for each metric) and achievement of budgeted non-strategic pre-tax income (5% weighting) [3] | – | – | 10% | – | | | |
| **Divisional** | | | | | | | | |
| Wind-down of non-strategic units (IB) [4] | 50.0% year-on-year reduction of risk-weighted assets and leverage exposure (2.5% weighting for each metric) and achievement of budgeted non-strategic pre-tax income (5% weighting) | – | 30% | – | – | | | |
| Return on regulatory capital (IB) [5] | 9.1% | – | 20% | – | – | | | |
| Wind-down of non-strategic units (PB&WM) | 50.0% year-on-year reduction of risk-weighted assets and leverage exposure (2.5% weighting for each metric) and achievement of budgeted non-strategic pre-tax income (5% weighting) | 10% | – | – | – | | | |
| Cost/income ratio (PB&WM) | 69.2% | 20% | – | – | – | | | |
| Divisional total operating expenses | 2015 budget expenses on a foreign exchange neutral basis | – | – | 10% | 15% | | | |

PB&WM – Private Banking & Wealth Management; IB – Investment Banking

[1] The remaining 40% weighting for the 9M15 performance assessment was based on non-financial criteria.

[2] Refer to "Core Results" in II – Operating and financial review in the Credit Suisse Financial Report 3Q15 for further information on strategic results.

[3] Non-strategic pre-tax income is based on reported results, excluding the net revenue gains from the fair value on own debt of CHF 995 million.

[4] Based on reported results in US dollars.

[5] Calculated using income after tax denominated in US dollars; assumes tax rate of 30% and capital allocated based on average of 10% of average risk-weighted assets and 3.0% of average leverage exposure.

### Individuals who joined Credit Suisse during 2015 and were appointed to the Executive Board during 2015

For the three individuals who joined Credit Suisse as new employees and were appointed to the Executive Board in 2015, variable incentive compensation was determined by the Compensation Committee, based on performance assessments provided by the CEO which took into account individual contributions and the performance of the overall Group during 2015. The variable incentive compensation recommendation for the CEO with respect to his period in office during 2015 was determined by the Compensation Committee, based on an assessment of his performance conducted by the Chairman of the Board. Notwithstanding the successful implementation of the new management structure that was announced on October 21, 2015, the variable incentive compensation awarded to the Executive Board members who joined Credit Suisse during 2015 was, in aggregate, below target levels, in consideration of the weaker performance of the Group overall in the fourth quarter of 2015.

In addition, Mr. Thiam and Mr. Goerke were granted replacement awards with an aggregate value of CHF 16.2 million as of the date of grant, in the form of deferred share awards to compensate them for the fair value of their deferred awards that were cancelled by their previous employer as a consequence of them joining Credit Suisse during 2015. Deferral periods for the replacement awards mirror the respective terms at the previous employer. In the case of Mr. Thiam, the vesting will take place in 2016, 2017 and 2018.

### Individuals who were already employees prior to 2015 and were promoted to the Executive Board during 2015

For existing employees who were promoted to the Executive Board during 2015, the performance assessment of the individual members and determination of variable incentive compensation for the first nine months of the year was based on pre-existing objectives, pursuant to the annual performance appraisal process for employees who do not hold Executive Board positions. For the fourth quarter period, the CEO proposed a level of variable incentive compensation based on a qualitative assessment of each individual's performance, with due consideration to the financial performance of the business for the fourth quarter of 2015 and individual contributions as applicable. The variable incentive compensation awarded to these Executive Board members for 2015 was lower than their own prior year awards, reflecting the lower performance of all divisions and the Group during 2015 compared to 2014.

### Individuals who ceased to be Executive Board members during 2015

The variable incentive compensation paid to the individuals who left the Executive Board during 2015 was negotiated on a case by case basis in separation agreements, taking into account the performance

of the business and individual contributions. The variable incentive compensation paid to the five departing members, including the former CEO, was determined at the time the individuals ceased to be members of the Executive Board, and totaled CHF 21.0 million, awarded in the form of deferred cash, CCA and deferred share awards. In addition to the amounts disclosed in the table below, individuals who stepped down from the Executive Board during 2015 and subsequently assumed a new role within the Group received in 2015 aggregate compensation of CHF 4.5 million for the period from the time they ceased to be Executive Board members until December 31, 2015. The Group plans to continue to disclose subsequent payments to former Executive Board members, including those related to non-compete arrangements pursuant to the Group's AoA.

### 2015 total compensation of the CEO and highest paid Executive Board member

In its recommendation to the Board regarding variable incentive compensation for the CEO Mr. Thiam, the Compensation Committee, in consultation with the Chairman, considered his excellent contribution since joining the firm, including the design and implementation of a new management structure, strengthening of the capital base of the Group and the design of a new strategy with the goals of further increasing the capital base, rebalancing the businesses and returning capital to shareholders. Notwithstanding these achievements, Mr. Thiam requested that his target level of compensation discussed at the time he joined Credit Suisse be reduced by 40%, given the weaker financial performance of the Group during 2015. The Board approved the recommendation of the Compensation Committee to reduce the variable incentive compensation award to Mr. Thiam per his request and despite his excellent performance. A total STI award of CHF 2.86 million, composed of 40% cash and 60% CCA vesting on the third anniversary of the grant date, was awarded to Mr. Thiam for his time of employment from June 22, 2015 to December 31, 2015.

The highest paid Executive Board member in 2015 was Robert Shafir, who was a member of the Executive Board from January 1, 2015 to October 21, 2015. For 2015, Mr. Shafir was awarded a total STI award of CHF 6.3 million, composed of 50% cash and 50% CCA vesting on the third anniversary of the grant date. In determining this level of award, the Compensation Committee took into account the contribution made by Mr. Shafir to the Group during his roles as both Co-Head of the former Private Banking & Wealth Management division and CEO for the Americas region. The Compensation Committee also recognized the support that he provided to establish the new strategy for the Group and the execution of an agreement to transfer the US domestic private banking business to Wells Fargo.

## Executive Board compensation for 2015 (audited)

| | Variable compensation | | | Fixed compensation | | | | |
|---|---|---|---|---|---|---|---|---|
| in | STI awards (Cash) | STI awards (Deferred) [1] | **Total variable compensation** | Salaries and fixed allowances | Dividend equivalents [2] | Pension and similar benefits and other benefits [3] | **Total fixed compensation** | **Total compensation [4, 5]** |
| **2015 (CHF million, except where indicated; does not include replacement awards)** | | | | | | | | |
| 17 members | 13.93 | 20.65 | **34.58** | 27.87 | 0.51 | 1.23 | **29.62** | **64.20** |
| % of total compensation | 22% | 32% | | 43% | | | | |
| of which joiners and leavers during 2015 (12 individuals) | 11.41 | 16.42 | **27.83** | 15.27 | 0.28 | 0.64 | **16.19** | **44.02** |
| % of total compensation | 26% | 37% | | 35% | | | | |
| of which highest paid: Rob Shafir | 3.15 | 3.15 | **6.30** | 1.54 | 0.03 | 0.01 | **1.58** | **7.88** |
| % of total compensation | 40% | 40% | | 20% | | | | |
| of which CEO: Tidjane Thiam | 1.14 | 1.71 | **2.86** | 1.58 | – | 0.13 | **1.71** | **4.57** |
| % of total compensation | 25% | 38% | | 35% | | | | |

[1] STI awards for 2015 comprise CHF 11.4 million Contingent Capital Awards, CHF 8.7 million performance shares as well as CHF 0.55 million granted as blocked shares and performance shares to the Executive Board members who were categorized as PRA Code Staff, including an Executive Board member who is no longer on the Executive Board. The applicable Group share price for all share awards was CHF 19.93.

[2] Share awards granted prior to January 1, 2014 carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years and were delivered in cash, consistent with dividends paid on actual shares.

[3] Other benefits consist of housing allowances, expense allowances and relocation allowances. For the total compensation awarded to members of the Executive Board, the Group made payments of CHF 5.8 million in 2015 and CHF 4.3 million in 2014 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Executive Board members based on their domicile and employment status. These contributions do not form part of the Executive Board members' compensation.

[4] For the individuals who joined the Executive Board and the individuals who left the Executive Board during 2015, compensation relating to the period during which they were members of the Executive Board is included in the table above. Compensation for Mr. Thiam includes compensation relating to the period from June 22, 2015 to December 31, 2015; compensation for Mr. Shafir relates to the period from January 1, 2015 to October 21, 2015.

[5] Replacement awards in the form of share awards were granted to Mr. Thiam and Mr. Goerke with the value at grant of CHF 14.3 million and CHF 1.9 million, respectively, to compensate them for the cancellation of deferred awards by their previous employer. Valued at the closing share price of CHF 14.21 on March 17, 2016, the replacement awards amount to CHF 9.6 million and CHF 1.1 million, respectively. These one-time replacement awards do not form part of the compensation in the table above. Considering these payments with their value at grant, the total compensation of the Executive Board and the CEO in 2015 amounted to CHF 80.4 million and CHF 18.9 million, respectively.

## Executive Board compensation for 2014 (audited)

| | Variable compensation | | | | Fixed compensation | | | | |
|---|---|---|---|---|---|---|---|---|---|
| in | Cash | Value of STI awards | Value of LTI awards [1] | **Total variable compensation** | Salaries and fixed allowances | Dividend equivalents [2] | Pension and similar benefits and other benefits [3] | **Total fixed compensation** | **Total compensation [4]** |
| **2014 (CHF million, except where indicated)** | | | | | | | | | |
| 11 members | 7.94 | 13.98 [5] | 17.18 | **39.10** | 19.45 | 2.98 | 2.53 | **24.96** | **64.06** |
| % of total compensation | 12% | 22% | 27% | | 30% | | | | |
| of which CEO: Brady W. Dougan | 1.52 | 2.28 | 3.05 | **6.85** | 2.50 | 0.32 | 0.03 | **2.85** | **9.70** |
| % of total compensation | 16% | 24% | 31% | | 26% | | | | |

[1] The LTI awards are net of CHF 4.7 million as part of the voluntary downward adjustment to the Executive Board compensation awards for 2014 resulting from the final settlement of all US cross-border matters. These awards vest over a five-year period, payable on the third, fourth and fifth anniversaries of the grant date. The final value at settlement depends on the achievement of pre-defined performance criteria linked to the average relative total shareholder return and average strategic return on equity.

[2] Share awards granted prior to January 1, 2014 carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years and were delivered in cash, consistent with dividends paid on actual shares.

[3] Other benefits consist of housing allowances, expense allowances, child allowances and a carried interest award in certain alternative investment funds with a fair value at the time of grant of CHF 1.8 million awarded to Robert S. Shafir. The initial value of this award is determined by making assumptions about the return that will be realized on the funds over their lifetime of up to fifteen years. For the total compensation awarded to members of the Executive Board, the Group made payments of CHF 4.3 million in 2014 and CHF 4.7 million in 2013 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Executive Board members based on their domicile and employment status. These contributions do not form part of the Executive Board members' compensation.

[4] Does not include CHF 8.6 million of charitable contributions made by the Group for the allocation of which the CEO and three other Executive Board members were able to make recommendations.

[5] STI awards for 2014 comprise CHF 13.15 million performance shares as well as CHF 0.83 million granted as blocked shares and performance shares to the Executive Board members who were categorized as PRA Code Staff, including an Executive Board member who is no longer on the Executive Board. The applicable Group share price for all share awards was CHF 20.21.

### Compensation structure in 2015

The annual 2015 base salary was CHF 3.0 million for the CEO, CHF 2.0 million or the equivalent amount in local currency for Executive Board members based in Switzerland and Singapore, and USD 2.0 million for Executive Board members based in the US and the UK. Individuals who were appointed to the Executive Board during 2015 received a base salary at these levels on a pro-rata basis with effect from the time of appointment to the Executive Board. Base salaries and fixed allowances paid in 2015 are fully in line with the overall amount of fixed compensation approved by the shareholders for members of the Executive Board at the 2015 AGM.

Three of the individuals who served on the Executive Board during part or all of 2015 were PRA Code Staff for 2015. A portion of their compensation was awarded as a fixed allowance, which was taken into consideration when variable incentive compensation was determined.

Under the compensation structure envisaged in the 2014 Annual Report, variable incentive compensation for Executive Board members was to be awarded in the following components:

- 50% as STI awards in the form of immediate cash as well as CCA vesting on the third anniversary of the grant date;
- 50% as LTI awards in the form of share awards, vesting on the third, fourth and fifth anniversaries of the grant date, subject to pre-determined performance vesting conditions.

However, under the redesigned compensation structure as outlined below, only the STI award will be linked to the performance of the preceding financial year. Accordingly, 50% of variable incentive compensation that would have been otherwise awarded based on the financial and non-financial performance assessment for 2015 was granted as STI awards for the Executive Board members serving in 2015. The components of the STI awards are 40% immediate cash awards and 60% CCA awards vesting on the third anniversary of the grant date. For PRA Code Staff and individuals who ceased to be members of the Executive Board during 2015, a portion of their STI awards was granted in the form of deferred performance share awards. Unrelated to the financial performance in 2015, it is proposed to grant members of the Executive Board serving in 2016 LTI awards in the new form aligned with the Group's new strategic direction and subject to future performance metrics as defined for the three full year period from 2016 to 2018, followed by phased vesting and delivery in three installments over two years on the third, fourth, and fifth anniversaries of the grant date.

▸ Refer to the chart "Overview of Long-Term Incentive Awards" and "Types of awards" for more details.

Although the overall cap on total Executive Board incentive compensation of 2.5% of strategic Group net income envisaged in the 2014 Annual Report was not a constraint in 2015, this cap was not applied given the changes to the Group's organizational structure. Under the redesigned compensation structure, the overall cap will no longer be applicable.

**Redesigned compensation structure and new awards in 2016**

As indicated above, material amendments have been made to the Executive Board compensation design in order to reflect the new organizational structure of Credit Suisse, the revised objectives set by the new management and shareholders' feedback. For 2016, base salaries will be kept at the same levels as set in the previous year, however the method of determining variable incentive compensation levels and the form of the awards to be granted have been redesigned to provide a more direct link between pay and performance, with compensation awarded based on the achievement of strategic targets. Previously, the total level of variable incentive compensation was first determined by the preceding year's performance assessment, subject to caps expressed as a multiple of base salary, and the amount determined would then be divided and granted in the form of various awards. Under the new structure, the variable incentive compensation opportunity with respect to each individual Executive Board member will be clearly pre-defined and communicated based on market competitive compensation for the role. The variable incentive compensation will be awarded in the form of a short-term incentive opportunity (STI Opportunity) and a long-term incentive opportunity (LTI Opportunity). Each component is expressed as a percentage of base salary, and the maximum payout in each case may not exceed 100% of the opportunity. Due to the importance of achieving the firm's long-term business objectives, approximately two-thirds of total variable incentive compensation will be granted as LTI awards in the form of deferred share awards as described further below.

The combined maximum opportunity of the STI and LTI will be below the maximum payout levels that were achievable under the previous structure. Under the 2016 structure, the combined STI Opportunity and LTI Opportunity for the CEO is a multiple of four times base salary, and the maximum variable incentive compensation plus base salary is CHF 15.0 million, as shown in the table "2016 Executive Board compensation structure". Under the previous structure, the maximum aggregate cap on variable incentive compensation for the CEO was a multiple of six times base salary, equivalent to a maximum variable incentive compensation plus base salary of CHF 17.5 million, as shown in the table "Executive Board compensation under the previous organizational structure (as envisaged in the 2014 Annual Report)". Similarly for Executive Board members, the combined STI and LTI opportunity levels range from two to five and a half times base salary depending on the member's role and function, and the maximum variable incentive compensation plus base salary is CHF 13.0 million, compared to CHF 15.9 million under the previous structure.

## 2016 Executive Board compensation structure

| | Executive Board members | | | | CEO | | | |
|---|---|---|---|---|---|---|---|---|
| | Range of opportunity levels (multiple of base salary) | Base salary (CHF million) | Maximum variable incentive compensation (CHF million) | Maximum total compensation (CHF million) | Max opportunity (multiple of base salary) | Base salary (CHF million) | Maximum variable incentive compensation (CHF million) | Maximum total compensation (CHF million) |
| Short-term incentive award (includes cash salary) | 0.75 – 2.25 | 2.00 | 4.50 | 6.50 | 1.50 | 3.00 | 4.50 | 7.50 |
| Long-term incentive award | 1.25 – 3.25 | – | 6.50 | 6.50 | 2.50 | – | 7.50 | 7.50 |
| **Total** | **2.00 – 5.50** | **2.00** | **11.00** | **13.00** | **4.00** | **3.00** | **12.00** | **15.00** |

## Executive Board compensation under the previous organizational structure (as envisaged in the 2014 Annual Report)

| | Executive Board members | | | | CEO | | | |
|---|---|---|---|---|---|---|---|---|
| | Range of cap levels (multiple of base salary) | Base salary (CHF million) | Maximum variable incentive compensation (CHF million) | Maximum total compensation (CHF million) | Cap level (multiple of base salary) | Base salary (CHF million) | Maximum variable incentive compensation (CHF million) | Maximum total compensation (CHF million) |
| Cash | 0.40 – 1.30 | 1.50 | 1.95 | 3.45 | 0.80 | 2.50 | 2.00 | 4.50 |
| Short-term incentive award | 0.60 – 1.90 | – | 2.85 | 2.85 | 1.20 | – | 3.00 | 3.00 |
| Long-term incentive award [1] | 2.00 – 6.40 | – | 9.60 | 9.60 | 4.00 | – | 10.00 | 10.00 |
| **Total** | **3.00 – 9.60** | **1.50** | **14.40** | **15.90** | **6.00** | **2.50** | **15.00** | **17.50** |

[1] For the previous LTI awards, the amount payable at vesting of each installment was subject to an overall cap of 200% of the initial LTI award value.

Target and maximum opportunity levels are determined based on benchmark market levels of compensation for each role provided by the external compensation adviser, McLagan, in December 2015. The actual payout levels for each component will be determined by threshold, target and maximum pay levels which are directly linked to performance criteria and targets, further emphasizing the principle of "pay for performance". Whereas the STI award is based on past year performance and designed to reward the achievement of annual objectives, the LTI award is structured to reward the achievement of the long-term business plan, providing closer alignment with the long-term target returns of shareholders. Accordingly, the LTI award is subject to performance vesting over three financial years (performance cycle) followed by delivery in three installments over two years on the third, fourth and fifth anniversaries of the grant date. The final payout levels of the STI award are determined by a combination of quantitative and qualitative criteria as approved by the Board at the beginning of the financial year, whereas the final payout amount of the LTI award is based on a combination of Total Shareholder Return (TSR) as a market-determined metric and internal key performance metrics, measured over a three-year period. In the interest of transparency and in order to allow shareholders to assess the relationship between performance and pay, the pre-determined targets for the STI and LTI awards and the actual achievements against such targets will be disclosed in the Compensation Report at the end of the respective performance cycles. Further details on the elements of the STI and LTI awards are provided in the tables "Overview of 2016 Short-Term Incentive Awards" and "Overview of Long-Term Incentive Awards" below, and in the section "Types of awards". These elements apply to all Executive Board members, except to one member, who is considered PRA Code Staff and subject to the regulations of the PRA and the European Banking Authority (EBA). Accordingly, adjustments will be made to the compensation structure with respect to this Executive Board member in order to comply with the rules and requirements of the PRA and EBA.

## Overview of 2016 Short-Term Incentive Awards

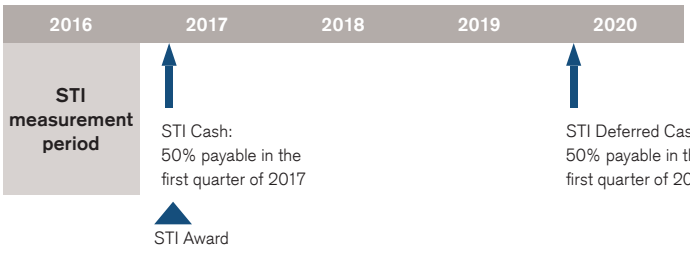
**Key features**

- Rewards achievement of annual objectives of the Group and the divisions
- Maximum opportunity is expressed as a percentage of base salary and may not exceed this level
  - For 2016, the maximum opportunity range is between 75% and 225% of base salary
- Payout levels determined by quantitative and qualitative performance objectives, and defined as % of total opportunity:
  - Maximum performance: 100%
  - Target performance: 80%
  - Threshold performance: 25%
  - Below threshold: 0%
- Delivery as 50% immediate cash payment and 50% deferred cash vesting on third anniversary of grant date
- For PRA Code Staff, delivery is as follows:
  - 20% immediate cash payment
  - 20% immediate Credit Suisse Group AG registered shares, subject to blocked period of six months
  - 60% deferred cash vesting on third anniversary (of which 50% in the form of shares)

**Performance Criteria**

| Performance criteria and weighting (%) | CEO | Divisional Head | Functional Head |
|---|---|---|---|
| **Quantitative criteria: Group level** (adjusted[1] pre-tax income, CET1 capital ratio, CET1 leverage ratio) | 70% | 21% | 70% |
| **Quantitative criteria: Divisional level** (adjusted[1] pre-tax income, net new assets, risk-weighted assets, leverage exposure, adjusted[1] return on capital) | — | 49% | — |
| **Qualitative criteria** (delivery of strategic initiatives, leadership/culture, compliance) | 30% | 30% | 30% |

**Delivery and Vesting Timeline** (Example of 2016 award granted in January 2017)




[1] Adjusted results are non-GAAP financial measures that exclude Strategic Resolution Unit activities, goodwill impairment, restructuring expenses, real estate transactions, deconsolidation, business sales, significant litigation expenses and the impact from fair value on own debt. For the purposes of evaluating the Executive Board's contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the adjusted results to be a more accurate reflection of operating results and therefore a more appropriate basis for the purposes of establishing compensation.

## Overview of Long-Term Incentive Awards

### Key features

- Rewards achievement of long-term business plan and long-term returns for shareholders
- Maximum opportunity is expressed as a percentage of base salary taking into account role, market experience and geography
  - For 2016, the maximum opportunity range is between 125% and 325% of base salary
- Payout levels subject to threshold, target and maximum performance outcomes measured against predetermined Group and divisional targets over three years:
  - Maximum performance: 100%
  - Target performance: 80%
  - Threshold performance: 25%
  - Below threshold: 0%
- Payout levels with respect to Total Shareholder Return ranking are shown in the chart "Payout levels (TSR)"
- Delivery in the form of shares with performance vesting three years from grant date and delivery in three equal tranches on the third, fourth and fifth anniversaries of the grant date

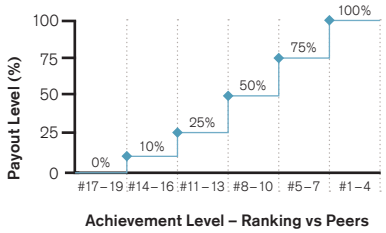
### Performance Criteria

| Performance criteria and weighting (%) | CEO | Divisional Head | Functional Head |
|---|---|---|---|
| **Group level metrics** | **100%** | **80%** | **100%** |
| Total Shareholder Return (TSR) | 40% | 40% | 40% |
| CET1 ratio | 13.3% | 13.3% | 13.3% |
| CET1 leverage ratio | 13.3% | 13.3% | 13.3% |
| Cost target (CHF bn) | 13.3% | 13.3% | 13.3% |
| Operating free capital generated | 20% | – | 20% |
| **Divisional level metrics** | **–** | **20%** | **–** |

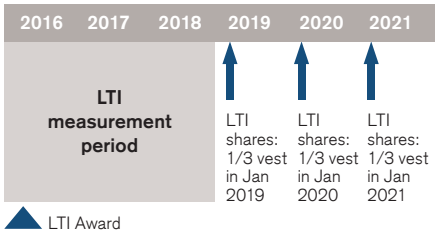
Adjusted[1] pre-tax income, risk-weighted assets, leverage exposure, adjusted[1] return on capital

### Payout levels (TSR)

(CSG TSR ranked vs peers[2])




### Example of 2016 LTI Award




[1] Adjusted results are non-GAAP financial measures that exclude Strategic Resolution Unit activities, goodwill impairment, restructuring expenses, real estate transactions, deconsolidation, business sales, significant litigation expenses and the impact from fair value on own debt. For the purposes of evaluating the Executive Board's contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the adjusted results to be a more accurate reflection of operating results and therefore a more appropriate basis for the purposes of establishing compensation.

[2] See "Types of awards" for complete list of peer group.

### Utilization of Executive Board compensation approved at the 2015 AGM

At the 2015 AGM, shareholders approved an aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2015 AGM to the 2016 AGM of no more than CHF 32 million. Fixed compensation includes base salaries, fixed allowances, dividend equivalents, pension and similar benefits, as well as any replacement awards granted to new Executive Board members during this period. In line with the Compensation Ordinance and as specified in the AoA, a further 30% of this approved amount, or CHF 9.6 million, may be paid as fixed compensation to new Executive Board members. Of this additional amount, CHF 2.2 million was used to fund a portion of the replacement award granted to Peter Goerke and salary paid to Tidjane Thiam. By the time of the 2016 AGM, a total of CHF 34.2 million will have been paid to Executive Board members, of which CHF 22.5 million relates to the individuals who were members of the Executive Board at the time of the 2015 AGM, and CHF 11.7 million relates to individuals who became members of the Executive Board during 2015.

### Executive Board compensation proposed for approval at the 2016 AGM

Pursuant to the Compensation Ordinance and the AoA, the AGM approves on an annual basis the compensation of the Executive Board, based on a proposal by the Board. The Board may propose that a maximum aggregate amount or maximum partial amounts of compensation components for the Executive Board be approved at the AGM in advance or retroactively for the defined period described in the proposal. Accordingly, the Board will submit the following proposals to the shareholders at the 2016 ordinary AGM:

#### Approval of the Executive Board aggregate short-term incentive compensation for the 2015 financial year

The Board proposes that the shareholders approve an aggregate amount of STI compensation to be awarded to members of the Executive Board for the financial year 2015 of CHF 34.58 million. The total amount is comprised of cash, CCA and deferred share awards and reflects the performance achieved for 2015, as specified in the sections "Performance evaluation and compensation decisions for 2015". The proposed amount excludes any legally required employer contributions to social security systems.

### Approval of the Executive Board aggregate fixed compensation for the period from the 2016 AGM to the 2017 AGM

The Board proposes to approve an aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2016 AGM to the 2017 AGM of no more than CHF 33.0 million. The total amount of fixed compensation is comprised of base salaries, fixed allowances for members of the Executive Board qualifying as PRA Code Staff, dividend equivalents (payable for unvested deferred share awards granted before 2014 only), and pension and similar benefits. The proposed amount excludes any legally required employer contributions to social security systems.

### Approval of the Executive Board aggregate long-term incentive compensation for 2016

The Board proposes that the shareholders approve an aggregate amount of LTI compensation to be granted to members of the Executive Board for the 2016 financial year of no more than CHF 49.0 million. The total amount is comprised of deferred LTI awards subject to performance measurement over the financial years 2016, 2017 and 2018, followed by two years of phased vesting and delivery in three installments on the third, fourth and fifth anniversaries of the grant date, as specified in the section "Redesigned compensation structure and new awards in 2016" and the chart "Overview of Long-Term Incentive Awards".

## Types of awards

### 2015 Short-Term Incentive (STI) Cash Awards

STI cash awards are payable in cash after grant. The awards are intended to recognize the Executive Board members' performance for the most recent prior year.

### 2015 Short-Term Incentive (STI) Deferred Awards

The deferred component of STI awards granted with respect to performance for 2015 was in the form of CCA and performance share awards.

▸ Refer to "Contingent Capital Awards (CCA)" and "Performance share awards" in Group compensation – Compensation design – Deferred variable incentive compensation instruments for a detailed description of CCA and performance share awards.

### 2016 Short-Term Incentive (STI) Awards

From 2016 onwards, the STI Opportunity represents the maximum amount payable, and the final amount paid out is based on quantitative and qualitative performance compared to pre-determined objectives. The quantitative criteria will be based on Group targets for the CEO and functional heads, and a combination of Group and divisional targets for divisional heads. Quantitative criteria will account for 70% of the performance assessment, while the remaining 30% weighting will be based on qualitative criteria. For each of the quantitative and qualitative criteria, the Board has approved "Threshold", "Target" and "Maximum" achievement levels for the 2016 financial year, corresponding with payouts of 25%, 80% and 100% of the maximum opportunity amount, respectively. The STI award will be granted in the form of a full cash award, with 50% immediate payment and 50% deferred cash vesting on the third anniversary of the grant date. Further details are shown in the chart "Overview of 2016 Short-Term Incentive Awards" above.

For Executive Board members who are regarded as PRA Code staff, a portion of the STI Cash Awards payable at grant are awarded in the form of Credit Suisse Group AG registered shares, subject to a blocked period of six months, and a portion of the deferred STI Awards may be granted as share awards to ensure that the compensation granted is compliant with the regulatory requirements.

### 2016 Long-Term Incentive (LTI) Awards

The new form of the LTI Opportunity is structured to reward the achievement of the long-term business plan and the long-term target returns for shareholders. The initial size of the LTI Opportunity is determined at a level that, when combined with the base salary and STI Opportunity for the same calendar year, represents a competitive level of total compensation for the role of the particular Executive Board member in line with market levels. The initial LTI Opportunity will be defined as a number of Credit Suisse Group shares calculated on the basis of the Credit Suisse Group share price at the time of grant. The subsequent payout of the LTI award will be based on performance outcomes over a period of three years from the year of grant. The distribution of the award takes place on the third, fourth and fifth anniversaries of the grant date.

The performance metrics and payout at various levels of performance are detailed in the chart "Overview of Long-Term Incentive Awards" above. For all Executive Board members, vesting and payout of LTI awards is subject to performance against four Group level metrics, i.e., TSR, CET1 ratio, CET1 leverage ratio, and a cost target. These four metrics represent an 80% weighting. For the CEO and functional heads, the remaining 20% weighting is based on operating free capital generated. For divisional heads, the operating free capital generated metric is replaced by metrics specific to their division, i.e., adjusted pre-tax income, risk-weighted assets, leverage exposure, and adjusted return on capital, which form the remaining 20% weighting. Adjusted results are non-GAAP financial measures that exclude Strategic Resolution Unit activities, goodwill impairment, restructuring expenses, real estate transactions, deconsolidation, business sales, significant litigation expenses and the impact from fair value on own debt. For the purposes of evaluating the Executive Board's contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the adjusted results to be a more accurate reflection of operating results and therefore a more appropriate basis for the purposes of establishing compensation.

In terms of the TSR metric, a group of 18 peers have been chosen based on size, geographic scope and business mix, to provide the benchmark for comparison of performance. This group consists of Banco Santander, Bank of America, Barclays, BBVA, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, ING Group, Intesa Sanpaolo, JPMorgan Chase, Julius Bär, Morgan Stanley, Nordea Bank, Royal Bank of Scotland, Société Générale, Standard Chartered, and UBS. Relative TSR will be measured

based on a ranked approach and a payout level of 100% requires a Credit Suisse Group TSR ranking within the top four of the peer group, whereas a ranking of eight to ten would result in a payout level of 50%.

▸ Refer to the "Payout levels (TSR)" in the chart "Overview of Long-Term Incentive Awards" for more details on payout levels with respect to rankings.

For each of the internal financial targets at Group and divisional level, the Board has approved "Threshold", "Target" and Maximum" achievement levels over the 2016-2018 performance cycle, which would result in payouts of 25%, 80%, and 100% of the maximum opportunity amount, respectively.

### Malus and clawback provisions

All deferred compensation awards of Executive Board members are subject to the same malus provisions as other employees. All variable incentive compensation granted to PRA Code Staff is also subject to clawback.

▸ Refer to "Malus provisions" and "Clawback provisions" in Group compensation for more information.

## Other aspects of Executive Board compensation

### Minimum share ownership requirements

The Group applies minimum share ownership requirements for members of the Executive Board as follows:

- CEO: 350,000 shares; and
- Other Executive Board members: 150,000 shares.

The thresholds include all Group shares held by or on behalf of these executive employees, including unvested share-based awards. All affected executive employees are restricted from selling shares, or from receiving their share-based awards in the form of cash, until they fulfill the minimum share ownership requirements. The Group prohibits all employees from entering into transactions to hedge the value of vested and unvested share-based awards. Pledging of unvested deferred awards by Executive Board members is also not permitted unless expressly approved by the Compensation Committee.

### Cash settlement of share awards

The terms of all past and future share-based awards granted to the Executive Board were amended in 2014 to enable election of settlement in cash or shares. The Executive Board members are permitted to elect, at a predefined date in advance of settlement, to receive their vested share-based awards in the form of shares, cash or 50% in the form of shares and 50% in cash, in each case based on the Group share price at the time of settlement. An election to receive cash is subject to reversal if at the time of settlement the Group share price is less than 75% of the share price at the time of election. The timing and pricing of settlement will be the same as under the previous award plan and as under the plans of the non-Executive Board population. This change does not affect deferred share-based awards granted to non-Executive Board members as of December 31, 2015, which will continue to be settled in the form of Group shares.

### Contract lengths, termination and change in control provisions

All members of the Executive Board have employment contracts with the Group which are valid until terminated. The notice period for termination of employment by either the Group or the respective Executive Board member is six months. In the event of termination, there are no contractual provisions that allow for the payment of severance awards to Executive Board members. Predefined conditions for all employees apply for the payment of outstanding deferred compensation awards, depending on whether the termination of employment was voluntary, involuntary or the result of a change in control. There are no other contracts, agreements or arrangements with the members of the Executive Board that provide for other types of payments or benefits in connection with termination of employment that are not generally available to other employees of the Group.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Board upon recommendation of the Compensation Committee with the aim of maximizing shareholder value, subject to circumstances and prevailing market conditions. There are no provisions in the employment contracts of Executive Board members or any other pre-determined arrangements that require the payment of any type of extraordinary benefits, including special severance awards, in the case of a change in control.

## Former Executive Board members

Generally, former members of the Group's most senior executive body who no longer provide services to the Group are still eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees or other forms of compensation were paid to former members of the Executive Board who no longer provided services to the Group during 2015.

## Executive Board shareholdings and loans

### Executive Board shareholdings

The table "Executive Board holdings and values of deferred share-based awards by individual" discloses the shareholdings of the Executive Board members, their immediate family and companies in which they have a controlling interest, as well as the value of the unvested share-based compensation awards held by Executive Board members as of December 31, 2015.

The value of share-based compensation awards granted to Executive Board members in prior years varies depending on the Group share price and other factors influencing the fair value of the award. The cumulative value of these unvested share-based awards as of December 31, 2015 was on average 3.0% lower than at the grant date value of the awards.

As of December 31, 2015, the outstanding cash-based deferred compensation awards granted to certain Executive Board members in prior years were the 2008 PAF, the Plus Bond awards, the COF, CCA and the 2012 and 2013 LTI awards. The cumulative value of such cash-based awards at their grant dates was CHF 37.6 million compared to CHF 41.0 million as of December 31, 2015.

### Executive Board holdings and values of deferred share-based awards by individual

| end of | Number of owned shares [1] | Number of unvested share awards | Number of owned shares and unvested share awards | Value of unvested awards at grant (CHF) | Value of unvested awards as of December 31 (CHF) |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Tidjane Thiam | – | 677,368 | 677,368 | 14,322,470 | 14,692,112 |
| James L. Amine | 118,982 | 601,098 | 720,080 | 13,448,466 | 13,037,816 |
| Pierre -Olivier Bouée | – | 73,307 | 73,307 | 1,885,249 | 1,590,029 |
| Romeo Cerutti | 219,539 | 122,417 | 341,956 | 2,727,390 | 2,655,225 |
| Peter Goerke | – | 79,034 | 79,034 | 1,843,536 | 1,714,247 |
| Thomas Gottstein | – | 98,344 | 98,344 | 2,174,771 | 2,133,081 |
| Iqbal Khan | 13,358 | 99,516 | 112,874 | 2,098,706 | 2,158,502 |
| David R. Mathers | 35,063 | 215,170 | 250,233 | 4,793,822 | 4,667,037 |
| Joachim Oechslin | 17,099 | 97,982 | 115,081 | 2,124,889 | 2,125,230 |
| Timothy P. O'Hara | 29,079 | 579,567 | 608,646 | 13,521,795 | 12,570,808 |
| Helman Sitohang | 5,992 | 406,124 | 412,116 | 9,145,242 | 8,808,830 |
| Lara Warner | 29,313 | 158,244 | 187,557 | 3,658,283 | 3,432,312 |
| **Total** | **468,425** | **3,208,171** | **3,676,596** | **71,744,619** | **69,585,229** |
| **2014** | | | | | |
| Brady W. Dougan | 641,334 | 326,139 | 967,473 | 8,074,202 | 8,179,566 |
| James L. Amine | 79,131 | 522,755 | 601,886 | 13,505,094 | 13,110,695 |
| Gaël de Boissard | 249,617 | 506,289 | 755,906 | 13,485,853 | 12,697,728 |
| Romeo Cerutti | 96,887 | 169,842 | 266,729 | 4,158,932 | 4,259,637 |
| David R. Mathers | 32,146 | 287,055 | 319,201 | 7,031,063 | 7,199,339 |
| Hans-Ulrich Meister | 318,484 | 321,385 | 639,869 | 7,948,267 | 8,060,336 |
| Joachim Oechslin | – | 64,060 | 64,060 | 1,595,094 | 1,606,625 |
| Timothy P. O'Hara | – | 664,016 | 664,016 | 17,154,283 | 16,653,521 |
| Robert S. Shafir | 617,053 | 386,794 | 1,003,847 | 9,439,287 | 9,700,794 |
| Pamela A. Thomas-Graham | – | 158,139 | 158,139 | 3,857,930 | 3,966,126 |
| **Total** | **2,034,652** | **3,406,474** | **5,441,126** | **86,250,005** | **85,434,367** |

[1] Includes shares that were initially granted as deferred compensation and have vested.

### Executive Board loans (audited)

The majority of loans outstanding to Executive Board members are mortgages or loans against securities. Such loans are made on the same terms available to employees under the Group's employee benefit plans. Each Executive Board member may be granted individual credit facilities or loans up to a maximum of CHF 20 million. As of December 31, 2015, 2014 and 2013, outstanding loans to Executive Board members amounted to CHF 26 million, CHF 5 million and CHF 10 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2015 was three and seven, respectively, and the highest loan outstanding was CHF 8 million to Thomas Gottstein.

All mortgage loans to Executive Board members are granted either with variable or fixed interest rates over a certain period. Typically, mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin, and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. The same credit approval and risk assessment procedures apply to Executive Board members as for other employees. Unless otherwise noted, all loans to Executive Board members were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees. These loans did not involve more than the normal risk of collectability or present other unfavorable features.

▸ Refer to "Banking relationships with Board and Executive Board Members and related party transactions" in Corporate Governance for further information.

## BOARD OF DIRECTORS COMPENSATION

### Governance

The governance of the compensation to members of the Board is set forth in the AoA and in the OGR. The annual compensation paid to members of the Board, including the Chairman, is approved by the Board, based on the recommendation of the Compensation Committee for the period from the current AGM to the following year's AGM. The total aggregate amount of Board compensation is subject to approval by the shareholders pursuant to the Compensation Ordinance. In the case of the Chairman's compensation and the additional fees for the committee chairmen, the Board member concerned does not participate in the recommendation involving his or her own compensation.

### Changes to the Board composition in 2015

At the 2015 AGM, Anton van Rossum and Jean-Daniel Gerber stepped down from the Board and Seraina Maag was elected as a new member of the Board.

### Basis of determining compensation for the Board

Board members are compensated on the basis of fees, which reflect the respective Board member's role, time commitment and scope of responsibility on the Board. The fee amounts are set at levels to attract and retain highly qualified and experienced individuals, taking into consideration levels at comparable leading Swiss companies. Except for the full-time Chairman, all members of the Board receive an annual base board fee of CHF 250,000.
As shown in the table below, Board members also receive annual committee fees for each committee membership.

Fees paid to Board members are in the form of cash and Group shares, which are blocked and non-transferable for a period of four years. This ensures that the interests of Board members are closely aligned to the interests of shareholders. These fees are paid in arrears in two equal installments.

### Membership fees

| Membership | Annual fee (in CHF) |
|---|---|
| Board of Directors – base fee | 250,000 |
| Audit Committee | 150,000 |
| Chairman's and Governance Committee | 100,000 |
| Compensation Committee | 100,000 |
| Risk Committee | 100,000 |

### Compensation of the Chairman

The Chairman's role is a full time appointment, for which he is paid an annual base board fee of CHF 3.0 million in cash (12 monthly payments) plus a chair fee of CHF 1.5 million in Group shares and contributions to the Group pension fund. For the period from the 2015 AGM to the 2016 AGM, the Chairman proposed to voluntarily waive his chair fees of CHF 1.5 million, in consideration of the Group's weaker financial performance in 2015, and this proposal was approved by the Board in the context of determining compensation. The total compensation paid to the Chairman reflects his full-time status and active role in shaping the Group's strategy, governing the Group's affairs, engaging with the CEO and senior management, as well as with external stakeholders. The Chairman coordinates the Board's activities, works with the committee chairmen to coordinate the tasks of the committees and ensures that Board members are provided with sufficient information to perform their duties. The Chairman drives the Board agenda on key topics such as the strategic development of the Group, succession planning and the structure and organization of the Group. The Chairman also steers the agenda on compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the shareholder meetings and takes an active role in representing the Group to regulators and supervisors, key shareholders, investors, and other stakeholders. Moreover, he is a member of several Swiss and international industry associations on behalf of the Group, including the Swiss Bankers Association, the Swiss Finance Council, the Institute of International Finance and the European Banking Group.

### Compensation of the Lead Independent Director and the Vice-Chairs

Noreen Doyle, as Lead Independent Director and Vice-Chair, and Richard E. Thornburgh as Vice-Chair do not receive additional compensation for these roles. Both individuals are members of the Chairman's and Governance Committee, however, for which they receive an annual committee fee of CHF 100,000.

### Compensation of the committee chairmen

Jean Lanier, Richard E. Thornburgh and John Tiner, each in the role of committee chairman of the Compensation, Risk and Audit Committees, respectively, receive chair fees, reflecting the greater responsibility and time commitment required to perform the role of a committee chairman, which is considered to be a significant part-time role. For 2015, the chair fee was CHF 200,000 for the chairman of the Compensation Committee, CHF 641,667 for the chairman of the Audit Committee and CHF 583,333 for the chairman of the Risk Committee. These fees are fixed in advance and are not linked to the Group's financial performance. In addition to the greater time commitment required to prepare and lead the committee work, the chair fees consider the engagement of the three committee chairmen throughout the year with global regulators, shareholders, the business divisions and Corporate Functions and other stakeholders. Regulatory developments in the banking industry in recent years have put increasing demands on the Risk and Audit Committee chairmen, in particular, increasing the frequency of interaction with the Group's main regulators on internal control, risk, capital and other matters under the supervision of these committees. Similarly, the greater focus of shareholders and regulators on compensation has resulted in an increased number of engagements between the Compensation Committee chairman and large shareholders and shareholder groups, as well as with regulators. The Audit Committee chair fee also considers the greater number of meetings required of the Audit Committee for the review and approval of the quarterly financial results and related filings (e.g. 18 meetings and calls held during 2015) and the Audit Committee chairman's supervisory role over the Internal Audit function. The Head of Internal Audit has a direct reporting line to the Audit Committee chairman and is required to deliver regular reports to the Audit Committee. The Risk Committee chair fee considers the regular interaction required between the Risk Committee chairman and the Group chief risk officer and other senior managers in the risk management function, as well as his oversight role over the strengthened Credit Risk Review function, which reports directly to him since 2015.

▸ Refer to the table "Members of the Board and Board committees" in Corporate Governance – Board of Directors for further information.

▸ Refer to "Credit Risk Governance" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management – Credit risk for further information on the Credit Risk Review function.

### Compensation of Board members serving on subsidiary boards

Several Board members also serve as members on the boards of Group subsidiary companies. This practice is consistent with the Group's legal entity governance principles, which aim to foster a close alignment of the Group's governance practices and those of its significant subsidiary companies. These board members are Noreen Doyle, chair of the UK subsidiaries Credit Suisse International (CSI) and Credit Suisse Securities (Europe) Limited (CSSEL), Richard E. Thornburgh, chair of Credit Suisse Holdings (USA) Inc. and board member and risk committee chair of CSI and CSSEL, and John Tiner, board member of Credit Suisse Holdings (USA) Inc. Board members receive separate fees for serving on subsidiary boards, in addition to their Board fees, which are paid in cash. These fees are approved by the respective subsidiary boards and are subject to ratification by the Board and included in the total amount of compensation to members of the Board proposed for approval by shareholders at the AGM.

### Former members of the Board

Two former members of the Board are eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to former members of the Board or related parties during 2015.

## Board compensation for 2015 (audited)

| in | Base board fee | Committee fee | Chair fees | Subsidiary board fees | **Total compensation** [1] | Awarded in cash | % of total compensation | Awarded in Group shares [2] | % of total compensation |
|---|---|---|---|---|---|---|---|---|---|
| **2015 (CHF)** | | | | | | | | | |
| Urs Rohner, Chairman [3] | 3,000,000 | – | – | – | 3,225,956 | 3,225,956 | 100% | – | 0% |
| Jassim Bin Hamad J.J. Al Thani [4] | 250,000 | – | – | – | 250,000 | 125,000 | 50% | 125,000 | 50% |
| Iris Bohnet [4, 5] | 250,000 | 100,000 | – | – | 369,783 | 194,783 | 53% | 175,000 | 47% |
| Noreen Doyle [4, 6] | 250,000 | 250,000 | – | 280,000 | 780,000 | 530,000 | 68% | 250,000 | 32% |
| Andreas N. Koopmann [4] | 250,000 | 200,000 | – | – | 450,000 | 225,000 | 50% | 225,000 | 50% |
| Jean Lanier, Chairman of the Compensation Committee [4, 7] | 250,000 | 200,000 | 200,000 | – | 650,000 | 325,000 | 50% | 325,000 | 50% |
| Sereina Maag [4] | 250,000 | 150,000 | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% |
| Kai S. Nargolwala [4] | 250,000 | 200,000 | – | – | 450,000 | 225,000 | 50% | 225,000 | 50% |
| Severin Schwan [4] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% |
| Richard E. Thornburgh, Chairman of the Risk Committee [4, 8] | 250,000 | 350,000 | 583,333 | 116,667 | 1,300,000 | 708,333 | 54% | 591,667 | 46% |
| Sebastian Thrun [4] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% |
| John Tiner, Chairman of the Audit Committee [4, 8] | 250,000 | 350,000 | 641,667 | 58,333 | 1,300,000 | 679,167 | 52% | 620,833 | 48% |
| **Total** | **5,750,000** | **2,000,000** | **1,425,000** | **455,000** | **9,875,739** | **6,788,239** | **69%** | **3,087,500** | **31%** |

[1] At the 2015 AGM, shareholders approved a maximum amount of total compensation to be awarded to Board members until the 2016 AGM of CHF 12 million. For the total compensation awarded to members of the Board, the Group made payments of CHF 0.5 million in 2015 and CHF 0.6 million in 2014 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Board members based on their domicile and employment status. These contributions do not form part of the Board members' compensation.

[2] As per December 31, 2015, one-half of the Board member fees to be awarded in Group shares have been delivered to Board members. The applicable Group share price was CHF 21.49. The remaining shares will be delivered to Board members at or around the date of the 2016 AGM and the share price for this second share delivery will be determined at that time. Group shares are subject to a four-year blocking period.

[3] The chair fee of the Chairman is set at CHF 1.5 million to be awarded as 100% Group shares. For the period from the 2015 AGM to the 2016 AGM, the Chairman proposed to voluntarily waive his Chair fee and this proposal was approved by the Board in the context of determining compensation. The total compensation of the Chairman includes benefits received in 2015 of CHF 225,956, which included pension and health insurance benefits and lump sum expenses.

[4] All members of the Board are awarded an annual base board fee and a committee fee for their respective committee membership for the period from one AGM to the next, i.e., from April 23, 2015 to April 29, 2016. Except for the Chairman, who receives his base board fee in 12 monthly installments throughout this period, Board member fees are paid in two installments of cash and Group shares, which are made approximately six and twelve months after the AGM respectively. As of the date of the 2016 AGM, these total combined fees will have been paid in cash (69%) and Group shares (31%).

[5] The total compensation of Iris Bohnet includes a payment of USD 20,000 (CHF 19,783) for a speaking engagement at a Credit Suisse sponsored event.

[6] In addition to the base board and committee fees, which were awarded as 50% cash and 50% Group shares, a subsidiary board fee of GBP 200,000 (CHF 280,000) was awarded in cash to Noreen Doyle as a non-executive director and chair of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited.

[7] In addition to his base board and committee fees, Jean Lanier is awarded a chair fee of CHF 200,000 as Compensation Commitee Chairman; the chair fee is awarded as 50% cash and 50% Group shares.

[8] In addition to their base board and committee fees, Richard E. Thornburgh and John Tiner are each awarded a chair fee and a subsidiary board fee for a combined amount of CHF 700,000. Richard E. Thornburgh is awarded a chair fee of CHF 583,333 as Risk Committee Chairman (50% in cash, 50% in Group shares), and a subsidiary board fee of CHF 116,667 awarded in cash as a non-executive director and chair of the Group's US subsidiary, Credit Suisse Holdings (USA) Inc., to which Mr. Thornburgh was appointed in December 2015. Mr. Thornburgh did not receive separate fees during 2015 as non-executive director of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited. Similarly, the fees of Mr. Tiner are also split between his fee as Audit Committee Chairman (50% cash, 50% Group shares) and a subsidiary board fee awarded in cash as non-executive director of the US subsidiary, Credit Suisse Holdings (USA) Inc., to which Mr. Tiner was appointed in December 2015. The subsidiary fee amounts disclosed above are pro-rated from December 2015 until the 2016 AGM; a full-year subsidiary fee of CHF 280,000 is foreseen for the role of Mr. Thornburgh as a non-executive director and chair and CHF 140,000 for Mr. Tiner as a non-executive director of the US subsidiary board respectively.

## Board compensation for 2014 (audited)

| in | Base board fee | Committee fee | Chair fees | Voluntary adjustment [1] | **Total compensation [2]** | Awarded in cash | % of total compensation | Awarded in Group shares | % of total compensation | Number of Group shares [3] |
|---|---|---|---|---|---|---|---|---|---|---|
| **2014 (CHF)** | | | | | | | | | | |
| Urs Rohner, Chairman [4] | 2,500,000 | – | 2,000,000 | (1,000,000) | 3,629,856 | 2,629,856 | 72% | 1,000,000 | 28% | 49,481 |
| Jassim Bin Hamad J.J. Al Thani [5] | 250,000 | – | – | (62,500) | 187,500 | 125,000 | 67% | 62,500 | 33% | 2,510 |
| Iris Bohnet [5, 6] | 250,000 | 100,000 | – | (87,500) | 267,500 | 180,000 | 67% | 87,500 | 33% | 3,513 |
| Noreen Doyle [7] | 250,000 | 250,000 | 280,000 | (195,000) | 585,000 | 460,000 | 79% | 125,000 | 21% | 5,019 |
| Jean-Daniel Gerber [5] | 250,000 | 150,000 | – | (100,000) | 300,000 | 200,000 | 67% | 100,000 | 33% | 4,015 |
| Andreas N. Koopmann [5] | 250,000 | 200,000 | – | (112,500) | 337,500 | 225,000 | 67% | 112,500 | 33% | 4,517 |
| Jean Lanier, Chairman of the Compensation Committee [8] | 250,000 | 350,000 | 200,000 | (200,000) | 600,000 | 400,000 | 67% | 200,000 | 33% | 7,239 |
| Kai S. Nargolwala [5] | 250,000 | 200,000 | – | (112,500) | 337,500 | 225,000 | 67% | 112,500 | 33% | 4,517 |
| Anton van Rossum [5] | 250,000 | 100,000 | – | (87,500) | 262,500 | 175,000 | 67% | 87,500 | 33% | 3,513 |
| Severin Schwan [5] | 250,000 | 100,000 | – | (87,500) | 262,500 | 175,000 | 67% | 87,500 | 33% | 3,513 |
| Richard E. Thornburgh, Chairman of the Risk Committee [8] | 250,000 | 350,000 | 800,000 | (350,000) | 1,050,000 | 700,000 | 67% | 350,000 | 33% | 14,661 |
| Sebastian Thrun [5] | 250,000 | 100,000 | – | (87,500) | 262,500 | 175,000 | 67% | 87,500 | 33% | 3,513 |
| John Tiner, Chairman of the Audit Committee [8] | 250,000 | 350,000 | 800,000 | (350,000) | 1,050,000 | 700,000 | 67% | 350,000 | 33% | 14,534 |
| **Total** | **5,500,000** | **2,250,000** | **4,080,000** | **(2,832,500)** | **9,132,356** | **6,369,856** | **70%** | **2,762,500** | **30%** | **120,545** |

[1] The voluntary adjustment reflects a 50% reduction in the share portion of each Board member's fees, which was decided by the Board on August 22, 2014, following the final settlement of all US cross-border matters in May 2014. Board fees would normally be awarded as 50% cash and 50% shares, with the exception of the Chairman and Noreen Doyle.

[2] For the total compensation awarded to members of the Board, the Group made payments of CHF 0.6 million in 2014 and CHF 0.7 million in 2013 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Board members based on their domicile and employment status. These contributions do not form part of the Board members' compensation.

[3] The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period.

[4] The chair fee of the Chairman is set at CHF 2.0 million to be awarded as 100% Group shares. For 2014, after applying the voluntary adjustment, the Chairman was paid a chair fee of CHF 1.0 million in Group shares. The applicable Group share price for the chair fee was CHF 20.21. The total compensation of the Chairman includes benefits received in 2014 of CHF 129,856, which included pension benefits, lump sum expenses and child and health care allowances.

[5] Except for the Chairman, members of the Board are awarded an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from May 9, 2014 to April 23, 2015. For 2014, after applying the voluntary adjustment, these total combined fees were paid in cash (67%) and Group shares (33%). The applicable Group share price was CHF 24.91.

[6] The total compensation of Iris Bohnet includes a payment of CHF 5,000 in 2014 for a speaking engagement at a Credit Suisse sponsored event.

[7] In addition to the base board and committee fees, which were awarded as 50% cash and 50% Group shares, the chair fee of GBP 200,000 (CHF 280,000) was awarded in cash to Noreen Doyle as a non-executive director and chair of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited. For 2014, after applying the voluntary adjustment, there was a 50% reduction of the share portion of her Group board fees and a 25% reduction of her UK board chair fee in cash. Noreen Doyle received a chair fee of GBP 150,000 (CHF 210,000).

[8] In addition to the base board and committee fees, the three committee chairmen are each awarded a chair fee. The chair fee is awarded as 50% cash and 50% Group shares. For 2014, after applying the voluntary adjustment, the committee chairmen are paid their respective chair fees in cash (67%) and Group shares (33%). The applicable Group share price for the chair fees was CHF 20.21.

### Utilization of Board compensation approved at the 2015 AGM

At the 2015 AGM, shareholders approved an aggregate amount of compensation to be paid to members of the Board for the period from the 2015 AGM to the 2016 AGM of CHF 12 million. From this amount, a total of CHF 9.9 million will have been paid to Board members by the time of the 2016 AGM.

### Board compensation proposed for approval at the 2016 AGM

Pursuant to the Compensation Ordinance and the Group's AoA, the AGM approves on an annual basis the compensation of the Board in advance as a maximum amount for the period until the next ordinary AGM. Accordingly, the Board will submit the following proposal to the shareholders at the 2016 ordinary AGM:

#### Approval of the compensation of the Board for the period from 2016 AGM to 2017 AGM

The Board proposes to approve an aggregate amount of compensation to be paid to members of the Board for the period from the 2016 AGM to the 2017 AGM of no more than CHF 12.0 million. The total amount is comprised of base board fees, committee fees, chair fees, subsidiary board fees and (if applicable) pension benefits and other benefits as specified in the section "Board of Directors Compensation". The proposed amount excludes any legally required employer contributions to social security systems.

### Board shareholdings and loans

#### Board shareholdings

The table below discloses the shareholdings of the Board members, their immediate family and companies in which they have

a controlling interest. As of December 31, 2015, there were no Board members with outstanding options.

## Board shareholdings by individual

| in | 2015 | 2014 |
|---|---|---|
| **December 31 (shares)** [1] | | |
| Urs Rohner | 244,868 | 229,492 |
| Jassim Bin Hamad J.J. Al Thani | 26,404 | 19,763 |
| Iris Bohnet | 25,120 | 18,243 |
| Noreen Doyle | 52,998 | 52,984 |
| Andreas N. Koopmann | 60,944 | 46,859 |
| Jean Lanier | 75,799 | 56,665 |
| Sereina Maag | 4,653 | – |
| Kai S. Nargolwala | 209,434 | 176,974 |
| Severin Schwan | 65,601 | 25,155 |
| Richard E. Thornburgh | 194,089 | 184,668 |
| Sebastian Thrun | 6,850 | 2,779 |
| John Tiner | 107,866 | 70,482 |
| **Total** | **1,074,626** | **884,064** |

[1] Includes Group shares that are subject to a blocking period of up to four years; includes shareholdings of immediate family members.

### Board loans

The majority of loans outstanding to members of the Board are mortgages or loans against securities. Such loans are made to Board members on the same terms available to third-party clients. Each member of the Board may be granted individual credit facilities or loans up to a maximum of CHF 20 million at market conditions. As of December 31, 2015, 2014 and 2013, outstanding loans to Board members amounted to CHF 8 million, CHF 16 million and CHF 55 million, respectively.

Board members with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Unless otherwise noted, all loans to Board members are made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans do not involve more than the normal risk of collectability or present other unfavorable features. In addition to the loans listed below, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current Board members have a significant influence as defined by the SEC. Examples include holding executive and/or board level roles in these companies. Unless otherwise noted, loans extended by the Group to such companies are also made in the ordinary course of business and at prevailing market conditions. As of December 31, 2015, 2014 and 2013, there was no loan exposure to such related party companies that was not made in the ordinary course of business and at prevailing market conditions.

▸ Refer to "Banking relationships with Board and Executive Board Members and related party transactions" in Corporate Governance for further information.

## Board loans by individual (audited)

| in | 2015 | 2014 |
|---|---|---|
| **December 31 (CHF)** | | |
| Urs Rohner | 4,915,000 | 5,097,475 |
| Andreas N. Koopmann | 1,775,000 | 4,885,919 |
| Seraina Maag | 984,000 | – |
| Richard E. Thornburgh | – | 6,223,479 |
| **Total** [1] | **7,674,000** | **16,206,873** |

[1] Includes loans to immediate family members.

## DISCONTINUED COMPENSATION PLANS

The Group has discontinued compensation instruments with leverage components. A summary of the principal forms of awards granted in prior years, which have since been discontinued but are still outstanding, is shown in the following overview. For certain plans, the Group retains the right to settle the instruments in cash or in shares at its discretion.

### Principal outstanding deferred variable compensation plans

#### Restricted Cash Awards

- Basis: cash-based;
- Vesting start: January 2013;
- Vesting end: January 2016;
- Applied to: performance in 2012, which included managing directors in the former Investment Banking division;
- General award conditions: vesting ratably over three years and other restrictive covenants and provisions. Paid in the first quarter of 2013;
- Other award conditions or restrictions: subject to repayment in part or in full if a performance-based malus event occurs, such as voluntary termination or termination for cause during the vesting period;
- Program objective/rationale: promoting retention of senior management.

#### Plus Bond Awards

- Basis: cash-based;
- Vesting start: January 2013;
- Vesting end: January 2016;
- Applied to: performance in 2012 for managing directors and directors in the former Investment Banking division. Other managing directors and directors were allowed to reallocate a portion of the share awards into Plus Bond awards. Mandatory Plus Bond awards for managing directors and directors in the former Investment Banking division were fully vested on grant, subject to cancellation in the event of a termination with cause or where settlement conditions are violated. Vesting in 2016 for employees who elected to reallocate a portion of their share awards to Plus Bond awards;
- General award conditions: awards are linked to the future performance of a portfolio or unrated and sub-investment grade asset-backed securities that are held in inventory by various trading desks in the former Investment Banking division;

- Other award conditions or restrictions: Plus Bond award holders will receive semi-annual cash payments at the rate of LIBOR plus 7.875% per annum. Holders of Plus Bond awards are subject to a non-compete/non-solicit provision;
- Program objective/rationale: providing employees with a fixed income strategy while transferring risk from the Group to employees thereby contributing to a reduction of risk-weighted assets.

### Capital Opportunity Facility (COF)

- Basis: cash-based;
- Vesting start: 94% vested at the time of conversion in February 2014;
- Vesting end: February 2016;
- Applied to: performance in 2011, as this was derived from the conversion of the 2011 Partner Asset Facility (PAF2);
- General award conditions: The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by the COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. COF awards were obtained in exchange for PAF2 awards. PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief up until December 2013. Due to regulatory changes, the capital relief was no longer available after December 31, 2013. As a result, the Group restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to either COF or CCA, or a combination thereof;
- Other award conditions or restrictions: COF holders will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021;
- Program objective/rationale: providing employees with semi-annual fixed income distributions and a potential return on the reference assets at maturity while transferring risk from the Group to employees thereby contributing to risk reduction and capital efficiency.

### Contingent Capital Awards (CCA) derived from PAF2

- Basis: cash-based;
- Vesting start: 94% vested at the time of conversion in February 2014;
- Vesting end: February 2016;
- Applied to: performance in 2011, as this was derived from the conversion of the 2011 PAF2;
- General award conditions: PAF2 awards participants electing to receive CCA in substitute receive similar terms to the instruments granted as part of the 2013 and 2014 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates (4.51% per annum over the six-month Swiss franc LIBOR or 5.07% per annum over the six-month US dollar LIBOR).
- Other award conditions or restrictions: Settlement is expected to occur in 2016, subject to regulatory approvals. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by the Group. CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written-down to zero and canceled if any of the following trigger events were to occur: CET1 falls below 7%; or FINMA determine cancellation of the award is necessary;
- Program objective/rationale: Utilized to align compensation with the maintenance of strong capital ratios, provide additional tier 1 capital, and reduce dilution to existing share capital that would otherwise be incurred with the issuance of share-based deferred compensation awards.

▸ Refer to "Contingent Capital Awards (CCA)" in Group compensation – Compensation design – Deferred variable incentive compensation instruments for further information.

### 2008 Partner Asset Facility (PAF)

- Basis: cash-based;
- Vesting start: 2008, 66.7% vested upon grant;
- Vesting end: 33.3% vested in March 2009;
- Applied to: performance in 2008, which included all managing directors and directors in the former Investment Banking division;
- General award conditions: the contractual term of a PAF award is eight years, with the final distribution in 2017. PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in the former Investment Banking division. The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool as of December 31, 2008, and those assets cannot be substituted throughout the contractual term of the award or until liquidated;
- Other award conditions or restrictions: PAF holders will receive a semi-annual cash interest payment of the LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. They will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool;
- Program objective/rationale: designed to incentivize senior managers in the former Investment Banking division to effectively manage assets which were a direct result of risk taking in the former Investment Banking division during this period. As a result of the PAF program, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the Group's risk-weighted assets, resulting in a reduction in capital usage.

▸ Refer to "Note 29 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for more information.

# V

# Consolidated financial statements – Credit Suisse Group


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Report of the Independent Registered Public Accounting Firm

**Credit Suisse Group AG, Zurich**

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We have audited the accompanying consolidated balance sheets of Credit Suisse Group AG and subsidiaries (the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Group's management and the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 24, 2016 expressed an unqualified opinion on the effectiveness of the Group's internal control over financial reporting.

KPMG AG

Simon Ryder
*Licensed Audit Expert*
*Auditor in Charge*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
March 24, 2016

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# Consolidated financial statements

## Consolidated statements of operations

| | Reference to notes | in | | |
|---|---|---|---|---|
| | | **2015** | 2014 | 2013 |
| **Consolidated statements of operations (CHF million)** | | | | |
| Interest and dividend income | 6 | 19,341 | 19,061 | 19,556 |
| Interest expense | 6 | (10,042) | (10,027) | (11,441) |
| Net interest income | 6 | 9,299 | 9,034 | 8,115 |
| Commissions and fees | 7 | 12,044 | 13,051 | 13,226 |
| Trading revenues | 8 | 1,340 | 2,026 | 2,739 |
| Other revenues | 9 | 1,114 | 2,131 | 1,776 |
| **Net revenues** | | **23,797** | **26,242** | **25,856** |
| **Provision for credit losses** | 10 | **324** | **186** | **167** |
| Compensation and benefits | 11 | 11,546 | 11,334 | 11,256 |
| General and administrative expenses | 12 | 8,574 | 9,534 | 8,587 |
| Commission expenses | | 1,623 | 1,561 | 1,738 |
| Goodwill impairment | 21 | 3,797 | 0 | 12 |
| Restructuring expenses | 13 | 355 | – | – |
| Total other operating expenses | | 14,349 | 11,095 | 10,337 |
| **Total operating expenses** | | **25,895** | **22,429** | **21,593** |
| **Income/(loss) from continuing operations before taxes** | | **(2,422)** | **3,627** | **4,096** |
| Income tax expense | 28 | 523 | 1,405 | 1,276 |
| **Income/(loss) from continuing operations** | | **(2,945)** | **2,222** | **2,820** |
| Income from discontinued operations, net of tax | 4 | 0 | 102 | 145 |
| **Net income/(loss)** | | **(2,945)** | **2,324** | **2,965** |
| Net income/(loss) attributable to noncontrolling interests | | (1) | 449 | 639 |
| **Net income/(loss) attributable to shareholders** | | **(2,944)** | **1,875** | **2,326** |
| of which from continuing operations | | (2,944) | 1,773 | 2,181 |
| of which from discontinued operations | | 0 | 102 | 145 |
| **Basic earnings per share (CHF)** | | | | |
| Basic earnings/(loss) per share from continuing operations | 14 | (1.73) | 0.99 | 1.10 |
| Basic earnings per share from discontinued operations | 14 | 0.00 | 0.06 | 0.08 |
| **Basic earnings/(loss) per share** | 14 | **(1.73)** | **1.05** | **1.18** |
| **Diluted earnings per share (CHF)** | | | | |
| Diluted earnings/(loss) per share from continuing operations | 14 | (1.73) | 0.98 | 1.10 |
| Diluted earnings per share from discontinued operations | 14 | 0.00 | 0.06 | 0.08 |
| **Diluted earnings/(loss) per share** | 14 | **(1.73)** | **1.04** | **1.18** |

## Consolidated statements of comprehensive income

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Comprehensive income/(loss) (CHF million)** | | | |
| Net income/(loss) | (2,945) | 2,324 | 2,965 |
| Gains/(losses) on cash flow hedges | 16 | (20) | 18 |
| Foreign currency translation | (1,156) | 2,287 | (1,021) |
| Unrealized gains/(losses) on securities | (4) | 12 | (32) |
| Actuarial gains/(losses) | (661) | (1,253) | 1,044 |
| Net prior service credit/(cost) | 155 | (63) | (95) |
| Other comprehensive income/(loss), net of tax | (1,650) | 963 | (86) |
| **Comprehensive income/(loss)** | **(4,595)** | **3,287** | **2,879** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (19) | 540 | 525 |
| **Comprehensive income/(loss) attributable to shareholders** | **(4,576)** | **2,747** | **2,354** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets

| | Reference to notes | end of 2015 | end of 2014 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | | 92,328 | 79,349 |
| of which reported at fair value | | 89 | 304 |
| of which reported from consolidated VIEs | | 1,693 | 1,493 |
| Interest-bearing deposits with banks | | 867 | 1,244 |
| of which reported at fair value | | 2 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 15 | 123,049 | 163,208 |
| of which reported at fair value | | 83,565 | 104,283 |
| of which reported from consolidated VIEs | | 53 | 660 |
| Securities received as collateral, at fair value | | 28,511 | 26,854 |
| of which encumbered | | 27,940 | 25,220 |
| Trading assets, at fair value | 16 | 190,737 | 241,131 |
| of which encumbered | | 62,559 | 77,583 |
| of which reported from consolidated VIEs | | 2,372 | 4,261 |
| Investment securities | 17 | 3,090 | 2,791 |
| of which reported at fair value | | 3,090 | 2,791 |
| of which reported from consolidated VIEs | | 1,009 | 0 |
| Other investments | 18 | 7,021 | 8,613 |
| of which reported at fair value | | 4,237 | 5,654 |
| of which reported from consolidated VIEs | | 1,986 | 2,105 |
| Net loans | 19 | 272,995 | 272,551 |
| of which reported at fair value | | 20,820 | 22,913 |
| of which encumbered | | 108 | 192 |
| of which reported from consolidated VIEs | | 1,312 | 245 |
| allowance for loan losses | | (866) | (758) |
| Premises and equipment | 20 | 4,644 | 4,641 |
| of which reported from consolidated VIEs | | 327 | 452 |
| Goodwill | 21 | 4,808 | 8,644 |
| Other intangible assets | 22 | 196 | 249 |
| of which reported at fair value | | 112 | 70 |
| Brokerage receivables | | 34,542 | 41,629 |
| Other assets | 23 | 58,017 | 70,558 |
| of which reported at fair value | | 25,627 | 32,320 |
| of which encumbered | | 671 | 250 |
| of which reported from consolidated VIEs | | 14,451 | 16,134 |
| **Total assets** | | **820,805** | **921,462** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets (continued)

| | Reference to notes | end of 2015 | end of 2014 |
|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 24 | 21,054 | 26,009 |
| of which reported at fair value | | 482 | 823 |
| Customer deposits | 24 | 342,705 | 369,058 |
| of which reported at fair value | | 3,663 | 3,261 |
| of which reported from consolidated VIEs | | 0 | 3 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 15 | 46,598 | 70,119 |
| of which reported at fair value | | 32,398 | 54,732 |
| Obligation to return securities received as collateral, at fair value | | 28,511 | 26,854 |
| Trading liabilities, at fair value | 16 | 48,971 | 72,655 |
| of which reported from consolidated VIEs | | 27 | 35 |
| Short-term borrowings | | 8,657 | 25,921 |
| of which reported at fair value | | 3,112 | 3,861 |
| of which reported from consolidated VIEs | | 81 | 9,384 |
| Long-term debt | 25 | 197,608 | 177,898 |
| of which reported at fair value | | 80,931 | 81,166 |
| of which reported from consolidated VIEs | | 14,826 | 13,452 |
| Brokerage payables | | 39,452 | 56,977 |
| Other liabilities | 23 | 42,231 | 50,970 |
| of which reported at fair value | | 11,754 | 16,938 |
| of which reported from consolidated VIEs | | 836 | 1,728 |
| **Total liabilities** | | **775,787** | **876,461** |
| Common shares | | 78 | 64 |
| Additional paid-in capital | | 31,925 | 27,007 |
| Retained earnings | | 29,139 | 32,083 |
| Treasury shares, at cost | | (125) | (192) |
| Accumulated other comprehensive income/(loss) | 26 | (16,635) | (15,003) |
| **Total shareholders' equity** | | **44,382** | **43,959** |
| Noncontrolling interests | | 636 | 1,042 |
| **Total equity** | | **45,018** | **45,001** |
| **Total liabilities and equity** | | **820,805** | **921,462** |

| | Reference to notes | end of 2015 | end of 2014 |
|---|---|---|---|
| **Additional share information** | | | |
| Par value (CHF) | | 0.04 | 0.04 |
| Authorized shares [1] | | 2,666,152,845 | 2,299,616,660 |
| Common shares issued | 26 | 1,957,379,244 | 1,607,168,947 |
| Treasury shares | 26 | (5,910,224) | (7,666,658) |
| Shares outstanding | 26 | 1,951,469,020 | 1,599,502,289 |

[1] Includes issued shares and unissued shares (conditional, conversion and authorized capital).

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of changes in equity

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **2015 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,007** | **32,083** | **(192)** | **(15,003)** | **43,959** | **1,042** | **45,001** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (381) | (381) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 55 | 55 |
| Net income/(loss) | – | – | (2,944) | – | – | (2,944) | (1) | (2,945) |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (1,632) | (1,632) | (18) | (1,650) |
| Issuance of common shares | 14 | 6,731 | – | – | – | 6,745 | – | 6,745 |
| Sale of treasury shares | – | (37) | – | 18,789 | – | 18,752 | – | 18,752 |
| Repurchase of treasury shares | – | – | – | (19,761) | – | (19,761) | – | (19,761) |
| Share-based compensation, net of tax | – | (321) [3] | – | 1,039 | – | 718 | – | 718 |
| Financial instruments indexed to own shares [4] | – | (106) | – | – | – | (106) | – | (106) |
| Dividends paid | – | (1,137) [5] | – | – | – | (1,137) | – | (1,137) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (58) | (58) |
| Other | – | (212) | – | – | – | (212) | (3) | (215) |
| **Balance at end of period** | **78** | **31,925** | **29,139** | **(125)** | **(16,635)** | **44,382** | **636** | **45,018** |
| **2014 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | 238 | – | – | – | 238 | (2,143) | (1,905) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 39 | 39 |
| Net income/(loss) | – | – | 1,875 | – | – | 1,875 | 449 | 2,324 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 872 | 872 | 91 | 963 |
| Issuance of common shares | – | 297 | – | – | – | 297 | – | 297 |
| Sale of treasury shares | – | (15) | – | 9,409 | – | 9,394 | – | 9,394 |
| Repurchase of treasury shares | – | – | – | (10,197) | – | (10,197) | – | (10,197) |
| Share-based compensation, net of tax | – | (105) | – | 735 | – | 630 | – | 630 |
| Financial instruments indexed to own shares | – | (80) | – | – | – | (80) | – | (80) |
| Dividends paid | – | (1,177) | (53) | – | – | (1,230) | (22) | (1,252) |
| Changes in redeemable noncontrolling interests | – | 2 | – | – | – | 2 | – | 2 |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (2,378) | (2,378) |
| Other | – | (6) | – | – | – | (6) | 4 | (2) |
| **Balance at end of period** | **64** | **27,007** | **32,083** | **(192)** | **(15,003)** | **43,959** | **1,042** | **45,001** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax charge of CHF (28) million from the excess recognized compensation expense over fair value of shares delivered.
[4] Includes certain call options the Group purchased on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
[5] Paid out of capital contribution reserves.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of changes in equity (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **2013 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **53** | **23,636** | **28,171** | **(459)** | **(15,903)** | **35,498** | **6,786** | **42,284** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | – | – | – | – | – | (22) | (22) |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | 216 | – | – | – | 216 | (2,467) | (2,251) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 438 | 438 |
| Net income/(loss) | – | – | 2,326 | – | – | 2,326 | 651 | 2,977 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 28 | 28 | (114) | (86) |
| Issuance of common shares | 11 | 4,222 | – | – | – | 4,233 | – | 4,233 |
| Sale of treasury shares | – | (50) | – | 10,360 | – | 10,310 | – | 10,310 |
| Repurchase of treasury shares | – | – | – | (10,202) | – | (10,202) | – | (10,202) |
| Share-based compensation, net of tax | – | 213 | – | 162 | – | 375 | – | 375 |
| Financial instruments indexed to own shares | – | (93) | – | – | – | (93) | – | (93) |
| Dividends paid | – | (269) | (236) | – | – | (505) | (59) | (564) |
| Changes in redeemable noncontrolling interests | – | (13) | – | – | – | (13) | – | (13) |
| Changes in scope of consolidation | – | – | – | – | – | – | (211) | (211) |
| Other | – | (9) | – | – | – | (9) | – | (9) |
| **Balance at end of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flows

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | |
| **Net income/(loss)** | **(2,945)** | **2,324** | **2,965** |
| (Income)/loss from discontinued operations, net of tax | 0 | (102) | (145) |
| **Income/(loss) from continuing operations** | **(2,945)** | **2,222** | **2,820** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | | |
| Impairment, depreciation and amortization | 4,889 | 1,285 | 1,345 |
| Provision for credit losses | 324 | 186 | 167 |
| Deferred tax provision/(benefit) | 32 | 684 | 695 |
| Share of net income/(loss) from equity method investments | (134) | 134 | 34 |
| Trading assets and liabilities, net | 26,245 | (5,513) | 13,961 |
| (Increase)/decrease in other assets | 11,395 | 6,062 | (6,902) |
| Increase/(decrease) in other liabilities | (22,805) | (23,876) | 9,992 |
| Other, net | (1,933) | 1,196 | (38) |
| Total adjustments | 18,013 | (19,842) | 19,254 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **15,068** | **(17,620)** | **22,074** |
| **Investing activities of continuing operations (CHF million)** | | | |
| (Increase)/decrease in interest-bearing deposits with banks | 349 | 275 | 538 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 36,964 | 11,685 | 17,120 |
| Purchase of investment securities | (376) | (1,060) | (677) |
| Proceeds from sale of investment securities | 19 | 930 | 176 |
| Maturities of investment securities | 908 | 340 | 832 |
| Investments in subsidiaries and other investments | (594) | (1,264) | (1,792) |
| Proceeds from sale of other investments | 1,938 | 1,553 | 3,737 |
| (Increase)/decrease in loans | (5,446) | (23,604) | (9,126) |
| Proceeds from sales of loans | 1,579 | 1,255 | 1,483 |
| Capital expenditures for premises and equipment and other intangible assets | (1,102) | (1,056) | (903) |
| Proceeds from sale of premises and equipment and other intangible assets | 13 | 1 | 9 |
| Other, net | 409 | 606 | 122 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **34,661** | **(10,339)** | **11,519** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flows (continued)

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | | |
| Increase/(decrease) in due to banks and customer deposits | (29,149) | 26,040 | 22,463 |
| Increase/(decrease) in short-term borrowings | (18,148) | 3,509 | 6,002 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (22,149) | (31,001) | (36,347) |
| Issuances of long-term debt | 77,858 | 74,159 | 39,090 |
| Repayments of long-term debt | (49,365) | (36,471) | (55,135) |
| Issuances of common shares | 6,035 | 297 | 976 |
| Sale of treasury shares | 18,752 | 9,394 | 9,764 |
| Repurchase of treasury shares | (19,761) | (10,197) | (10,202) |
| Dividends paid | (427) | (1,252) | (564) |
| Other, net | 186 | (1,192) | (468) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(36,168)** | **33,286** | **(24,421)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(582)** | **5,790** | **(1,216)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | |
| **Net cash provided by/(used in) discontinued operations** | **0** | **(460)** | **(1,027)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | |
| **Net increase/(decrease) in cash and due from banks** | **12,979** | **10,657** | **6,929** |
| Cash and due from banks at beginning of period | 79,349 | 68,692 | 61,763 |
| **Cash and due from banks at end of period** | **92,328** | **79,349** | **68,692** |

## Supplemental cash flow information

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | | |
| Cash paid for income taxes | 1,010 | 1,502 | 833 |
| Cash paid for interest | 10,208 | 9,527 | 11,876 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | | |
| Fair value of assets acquired | 3 | 143 | 4 |
| Fair value of liabilities assumed | 0 | 29 | 0 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | | |
| Assets sold | 35 | 687 | 374 |
| Liabilities sold | 7 | 1,084 | 170 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Notes to the consolidated financial statements

## 1 Summary of significant accounting policies

The accompanying consolidated financial statements of Credit Suisse Group AG (the Group) are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). The financial year for the Group ends on December 31.

On October 21, 2015, the Group announced its new strategy and organization, which included the introduction of a new segment structure as presented in Note 5 – Segment information. Restructuring expenses related to the implementation of the new Group strategy are presented in Note 13 – Restructuring expenses. Reclassifications have been made to the prior year's consolidated financial statements to conform to the current presentation. The reclassifications had no impact on net income/(loss) or total shareholders' equity.

In preparing the consolidated financial statements, management is required to make estimates and assumptions including, but not limited to, the ○ fair value measurements of certain financial assets and liabilities, the allowance for loan losses, the evaluation of variable interest entities (VIEs), the impairment of assets other than loans, recognition of deferred tax assets, tax uncertainties, pension liabilities and various contingencies. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management's estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

### Principles of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiaries. The Group's subsidiaries are entities in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. The Group consolidates limited partnerships in cases where it is the general partner or is a limited partner with substantive rights to kick out the general partner or dissolve the partnership and participate in significant decisions made in the ordinary course of business. The Group also consolidates VIEs where the Group is the primary beneficiary in accordance with Accounting Standards Codification (ASC) Topic 810 – Consolidation. The effects of material intercompany transactions and balances have been eliminated.

Where a Group subsidiary is a separate legal entity and determined to be an investment company as defined by ASC Topic 946 – Financial Services – Investment Companies, interests in other entities held by this Group subsidiary are not consolidated and are carried at fair value.

Group entities that qualify as broker-dealer entities as defined by ASC Topic 940 – Financial Services – Brokers and Dealers do not consolidate investments in voting interest entities that would otherwise qualify for consolidation when the investment is held on a temporary basis for trading purposes. In addition, subsidiaries that are strategic components of a broker-dealer's operations are consolidated regardless of holding intent.

### Foreign currency translation

Transactions denominated in currencies other than the functional currency of the related entity are recorded by remeasuring them in the functional currency of the related entity using the foreign exchange rate on the date of the transaction. As of the dates of the consolidated balance sheets, monetary assets and liabilities, such as receivables and payables, are reported using the year-end spot foreign exchange rates. Foreign exchange rate differences are recorded in the consolidated statements of operations. Non-monetary assets and liabilities are recorded using the historic exchange rate.

For the purpose of consolidation, the assets and liabilities of Group companies with functional currencies other than Swiss francs are translated into Swiss franc equivalents using year-end spot foreign exchange rates, whereas revenues and expenses are translated using the weighted average foreign exchange rate for the year. Translation adjustments arising from consolidation are included in accumulated other comprehensive income/(loss) (AOCI) within total shareholders' equity. Cumulative translation adjustments are released from AOCI and recorded in the consolidated statements of operations when the Group disposes and loses control of a consolidated foreign subsidiary.

### Fair value measurement and option

The fair value measurement guidance establishes a single authoritative definition of fair value and sets out a framework for measuring fair value. The fair value option creates an alternative measurement treatment for certain financial assets and financial liabilities. The fair value option can be elected at initial acquisition of the eligible item or at the date when the Group enters into an agreement which gives rise to an eligible item (e.g., a firm commitment or a written loan commitment). If not elected at initial recognition, the fair value option can be applied to an item upon certain triggering events that give rise to a new basis of accounting for that item. The application of the fair value option to a financial asset or a financial liability does not change its classification on the face of the balance sheet and the election is irrevocable. Changes in fair value resulting from the election are recorded in trading revenues.

▸ Refer to "Fair value option" in Note 35 – Financial instruments for further information.

### Cash and due from banks

Cash and due from banks consists of currency on hand, demand deposits with banks or other financial institutions and cash equivalents. Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less, which are held for cash management purposes.

### Reverse repurchase and repurchase agreements

Purchases of securities under resale agreements (reverse repurchase agreements) and securities sold under agreements to repurchase substantially identical securities (repurchase agreements) do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the consolidated balance sheet at the amount of cash disbursed or received, respectively. Reverse repurchase agreements are recorded as collateralized assets while repurchase agreements are recorded as liabilities, with the underlying securities sold continuing to be recognized in trading assets or investment securities. The fair value of securities to be repurchased and resold is monitored on a daily basis, and additional collateral is obtained as needed to protect against credit exposure.

Assets and liabilities recorded under these agreements are accounted for on one of two bases, the accrual basis or the fair value basis. Under the accrual basis, interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are reported in interest and dividend income and interest expense, respectively. The fair value basis of accounting may be elected pursuant to ASC Topic 825 – Financial Instruments, and any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method. The Group has elected the fair value basis of accounting on some of its agreements.

Reverse repurchase and repurchase agreements are netted if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement.

### Securities lending and borrowing transactions

Securities borrowed and securities loaned that are cash-collateralized are included in the consolidated balance sheets at amounts equal to the cash advanced or received. If securities received in a securities lending and borrowing transaction as collateral may be sold or repledged, they are recorded as securities received as collateral in the consolidated balance sheet and a corresponding liability to return the security is recorded. Securities lending transactions against non-cash collateral in which the Group has the right to resell or repledge the collateral received are recorded at the fair value of the collateral initially received. For securities lending transactions, the Group receives cash or securities collateral in an amount generally in excess of the market value of securities lent. The Group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary.

Fees and interest received or paid are recorded in interest and dividend income and interest expense, respectively, on an accrual basis. If the fair value basis of accounting is elected, any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method.

### Transfers of financial assets

The Group transfers various financial assets, which may result in the sale of these assets to special purpose entities (SPEs), which in turn issue securities to investors. The Group values its beneficial interests at fair value using quoted market prices, if such positions are traded on an active exchange or financial models that incorporate observable and unobservable inputs.

▸ Refer to "Note 34 – Transfers of financial assets and variable interest entities" for further information on the Group's transfer activities.

### Trading assets and liabilities

Trading assets and liabilities include debt and equity securities, derivative instruments, certain loans held in broker-dealer entities, commodities and precious metals. Items included in the trading portfolio are carried at fair value and classified as held for trading purposes based on management's intent. Regular-way security transactions are recorded on a trade-date basis. Unrealized and realized gains and losses on trading positions are recorded in trading revenues.

#### Derivatives

Freestanding derivative contracts are carried at fair value in the consolidated balance sheets regardless of whether these instruments are held for trading or risk management purposes. Commitments to originate mortgage loans that will be held for sale are considered derivatives for accounting purposes. When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host contract, either the embedded feature is accounted for separately at fair value or the entire contract, including the embedded feature, is accounted for at fair value. In both cases, changes in fair value are recorded in the consolidated statements of operations. If separated for measurement purposes, the derivative is recorded in the same line item in the consolidated balance sheets as the host contract.

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity. Realized gains and losses, changes in unrealized gains and losses and interest flows are included in trading revenues. Derivative contracts designated and qualifying as fair value hedges, cash flow hedges or net investment hedges are reported as other assets or other liabilities.

The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for over-the-counter (OTC) derivatives are determined on the basis of proprietary models using various input parameters. Derivative contracts are recorded on a net basis per counterparty, where an enforceable master netting agreement exists. Where no such agreement exists, fair values are recorded on a gross basis.

Where hedge accounting is applied, the Group formally documents all relationships between hedging instruments and hedged

items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. The Group discontinues hedge accounting prospectively in the following circumstances:

(i) the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecasted transactions);
(ii) the derivative expires or is sold, terminated or exercised;
(iii) the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or
(iv) the designation of the derivative as a hedging instrument is otherwise no longer appropriate.

For derivatives that are designated and qualify as fair value hedges, the carrying value of the underlying hedged items is adjusted to fair value for the risk being hedged. Changes in the fair value of these derivatives are recorded in the same line item of the consolidated statements of operations as the change in fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

When the Group discontinues fair value hedge accounting because it determines that the derivative no longer qualifies as an effective fair value hedge, the derivative will continue to be carried in the consolidated balance sheets at its fair value, and the hedged asset or liability will no longer be adjusted for changes in fair value attributable to the hedged risk. Interest-related fair value adjustments made to the underlying hedged items will be amortized to the consolidated statements of operations over the remaining life of the hedged item. Any unamortized interest-related fair value adjustment is recorded in the consolidated statements of operations upon sale or extinguishment of the hedged asset or liability, respectively. Any other fair value hedge adjustments remain part of the carrying amount of the hedged asset or liability and are recognized in the consolidated statements of operations upon disposition of the hedged item as part of the gain or loss on disposition.

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in AOCI. These amounts are reclassified into the line item in the consolidated statements of operations in which the hedged item is recorded when the variable cash flow from the hedged item impacts earnings (for example, when periodic settlements on a variable rate asset or liability are recorded in the consolidated statements of operations or when the hedged item is disposed of). The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in AOCI and be reclassified into the consolidated statements of operations in the same period or periods during which the formerly hedged transaction is reported in the consolidated statements of operations. When the Group discontinues hedge accounting because it is probable that a forecasted transaction will not occur within the specified date or period plus two months, the derivative will continue to be carried in the consolidated balance sheets at its fair value, and gains and losses that were previously recorded in AOCI will be recognized immediately in the consolidated statements of operations.

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging derivative is recorded in AOCI to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded in trading revenues. The Group uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in AOCI to the extent the hedge is effective.

**Investment securities**

Investment securities include debt securities classified as held-to-maturity and debt and marketable equity securities classified as available-for-sale. Regular-way security transactions are recorded on a trade-date basis.

Debt securities where the Group has the positive intent and ability to hold such securities to maturity are classified as such and are carried at amortized cost, net of any unamortized premium or discount.

Debt and equity securities classified as available-for-sale are carried at fair value. Unrealized gains and losses, which represent the difference between fair value and amortized cost, are recorded in AOCI. Amounts reported in AOCI are net of income taxes.

Amortization of premiums or discounts is recorded in interest and dividend income using the effective yield method through the maturity date of the security.

Recognition of an impairment on debt securities is recorded in the consolidated statements of operations if a decline in fair value below amortized cost is considered other-than-temporary, that is, amounts due according to the contractual terms of the security are not considered collectible, typically due to deterioration in the creditworthiness of the issuer. No impairment is recorded in connection with declines resulting from changes in interest rates to the extent the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

Recognition of an impairment on equity securities is recorded in the consolidated statements of operations if a decline in fair value below the cost basis of an investment is considered other-than-temporary. The Group generally considers unrealized losses on equity securities to be other-than-temporary if the fair value has been below cost for more than six months or by more than 20%.

Recognition of an impairment for debt or equity securities establishes a new cost basis, which is not adjusted for subsequent recoveries.

Unrealized losses on available-for-sale securities are recognized in the consolidated statements of operations when a decision has been made to sell a security.

**Other investments**

Other investments include equity method investments and non-marketable equity securities such as private equity, hedge funds, and restricted stock investments, certain investments in non-marketable mutual funds for which the Group has neither significant influence nor control over the investee, and real estate held for investment.

Equity method investments are investments where the Group has the ability to significantly influence the operating and financial policies of an investee. Significant influence is typically characterized by ownership of 20% to 50% of the voting stock or in-substance common stock of a corporation or 5% or more of limited partnership interests. Equity method investments are accounted for under the equity method of accounting or the fair value option. Under the equity method of accounting, the Group's share of the profit or loss, and any impairment on the investee, if applicable, is reported in other revenues. Under the fair value option, changes in fair value are reported in other revenues. The Group has elected the fair value basis of accounting on some of its equity method investments.

The Group's other non-marketable equity securities are carried at cost less other-than-temporary impairment or at fair value if elected under the fair value option. Non-marketable equity securities held by the Group's subsidiaries that are determined to be investment companies as defined by ASC Topic 946 – Financial Services – Investment Companies are carried at fair value, with changes in fair value recorded in other revenues.

Equity method investments and non-marketable equity securities held by broker-dealer entities as defined by ASC Topic 940 – Financial Services – Brokers and Dealers are measured at fair value and reported in trading assets when the intent of the broker-dealer entity is to hold the asset temporarily for trading purposes. Changes in fair value are reported in trading revenues.

Real estate held for investment purposes is carried at cost less accumulated depreciation and is depreciated over its estimated useful life, generally 40 to 67 years. Land is carried at historical cost and is not depreciated. These assets are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may not be recoverable. Recognition of an impairment on such assets establishes a new cost base, which is not adjusted for subsequent recoveries in value.

In connection with the life finance business, the Group invests in single premium immediate annuities (SPIA), which are carried at fair value with the related fair value changes reported in trading revenues. The life finance business also invests in life settlement contracts.

**Loans**

**Loans held-to-maturity**

Loans, which the Group intends to hold until maturity, are carried at outstanding principal balances plus accrued interest, net of the following items: unamortized premiums, discounts on purchased loans, deferred loan origination fees and direct loan origination costs on originated loans. Interest income is accrued on the unpaid principal balance and net deferred premiums/discounts and fees/costs are amortized as an adjustment to the loan yield over the term of the related loans.

Loans are divided in two portfolio segments, "consumer" and "corporate & institutional". Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate & institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions and governments and public institutions.

Lease financing transactions where the Group is the lessor are classified as loans. Unearned income is amortized to interest and dividend income over the lease term using the effective interest method.

In accordance with Group policies, impaired loans include non-performing loans, non-interest-earning loans, restructured loans and potential problem loans.

▸ Refer to "Note 19 – Loans, allowance for loan losses and credit quality" for further information.

**Allowance for loan losses on loans held-to-maturity**

The allowance for loan losses is comprised of the following components: probable credit losses inherent in the portfolio and those losses specifically identified. Changes in the allowance for loan losses are recorded in the consolidated statements of operations in provision for credit losses and in interest income (for provisions on past due interest).

The Group evaluates many factors when estimating the allowance for loan losses, including the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. The component of the allowance representing probable losses inherent in the portfolio is for loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss. The estimate of this component of the allowance for the consumer loans portfolio involves applying historical and current default probabilities, historical recovery experience and related current assumptions to homogenous loans based on internal risk rating and product type. To estimate this component of the allowance for the corporate & institutional loans portfolio, the Group segregates loans by risk, industry or country rating. Excluded from this estimate process are consumer and corporate & institutional loans that have been specifically identified as impaired or are held at fair value. For lending-related commitments, a provision for losses is estimated based on historical loss and recovery experience and recorded in other liabilities. Changes in the estimate of losses for lending-related commitments are recorded in the consolidated statements of operations in provision for credit losses.

The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. The Group considers a

loan impaired when, based on current information and events, it is probable that the Group will be unable to collect the amounts due according to the contractual terms of the loan agreement. For certain non-collateral-dependent impaired loans, an impairment is measured using the present value of estimated future cash flows, except that as a practical expedient an impairment may be measured based on a loan's observable market price. For collateral-dependent impaired loans, an impairment is measured using the fair value of the collateral.

A loan is classified as non-performing no later than when the contractual payments of principal and/or interest are more than 90 days past due except for subprime residential loans which are classified as non-performing no later than when the contractual payments of principal and/or interest are more than 120 days past due. The additional 30 days ensure that these loans are not incorrectly assessed as non-performing during the time when servicing of them typically is being transferred. However, management may determine that a loan should be classified as non-performing notwithstanding that contractual payments of principal and/or interest are less than 90 days past due or, in the case of subprime residential loans, 120 days past due. For non-performing loans, a provision is recorded in an amount equal to any accrued but unpaid interest at the date the loan is classified as non-performing, resulting in a charge to the consolidated statements of operations. In addition, the Group continues to add accrued interest receivable to the loan's balance for collection purposes; however, a provision is recorded resulting in no interest income recognition. Thereafter, the outstanding principal balance is evaluated at least annually for collectibility and a provision is established as necessary.

A loan can be further downgraded to non-interest-earning when the collection of interest is considered so doubtful that further accrual of interest is deemed inappropriate. At that time, and on at least a quarterly basis thereafter depending on various risk factors, the outstanding principal balance, net of provisions previously recorded, is evaluated for collectibility and additional provisions are established as required.

Generally, non-performing loans and non-interest-earning loans may be restored to performing status only when delinquent principal and interest are brought up to date in accordance with the terms of the loan agreement and when certain performance criteria are met.

Interest collected on non-performing loans and non-interest-earning loans is accounted for using the cash basis or the cost recovery method or a combination of both.

Loans that were modified in a troubled debt restructuring are reported as restructured loans. Generally, a restructured loan would have been considered impaired and an associated allowance for loan losses would have been established prior to the restructuring. Loans modified in a troubled debt restructuring are reported as restructured loans to the end of the reporting year in which the loan was modified or for as long as an allowance for loan losses based on the terms specified by the restructuring agreement is associated with the restructured loan or an interest concession made at the time of the restructuring exists. In making the determination of whether an interest rate concession has been made, market interest rates for loans with comparable risk to borrowers of the same credit quality are considered. Loans that have been restructured in a troubled debt restructuring and are performing according to the new terms continue to accrue interest. Loan restructurings may include the receipt of assets in satisfaction of the loan, the modification of loan terms (e.g., reduction of interest rates, extension of maturity dates at a stated interest rate lower than the current market rate for new loans with similar risk, or reduction in principal amounts and/or accrued interest balances) or a combination of both.

Potential problem loans are impaired loans where contractual payments have been received according to schedule, but where doubt exists as to the collection of future contractual payments. Potential problem loans are evaluated for impairment on an individual basis and an allowance for loan losses is established as necessary. Potential problem loans continue to accrue interest.

The amortization of net loan fees or costs on impaired loans is generally discontinued during the periods in which matured and unpaid interest or principal is outstanding. On settlement of a loan, if the loan balance is not collected in full, an allowance is established for the uncollected amount, if necessary, and the loan is then written off, net of any deferred loan fees and costs.

Write-off of a loan occurs when it is considered certain that there is no possibility of recovering the outstanding principal. Recoveries of loans previously written off are recorded based on the cash or estimated fair value of other amounts received.

▸ Refer to "Impaired loans" in Note 19 – Loans, allowance for loan losses and credit quality for further information on the write-off of a loan and related accounting policies.

### Loans held-for-sale

Loans, which the Group intends to sell in the foreseeable future, are considered held-for-sale and are carried at the lower of amortized cost or market value determined on either an individual method basis, or in the aggregate for pools of similar loans if sold or securitized as a pool. Loans held-for-sale are included in other assets. Gains and losses on loans held-for-sale are recorded in other revenues.

### Purchased impaired loans

Purchased loans for which it is probable at acquisition that all contractually required payments will not be received are recorded at their net purchase price and no allowances are carried over. The excess of the estimated cash flows to be collected over the amount paid is accreted into interest income over the estimated recovery period when reasonable estimates can be made about the timing and amount of recovery. The Group does not consider such loans to be impaired at the time of acquisition. Such loans are deemed impaired only if the Group's estimate of cash to be received decreases below the estimate at the time of acquisition. Increases in the estimated expected recovery are recorded as a reversal of allowances, if any, and then recognized as an adjustment of the effective yield of the loan.

### Loans held at fair value under the fair value option

Loans and loan commitments for which the fair value option is elected are reported at fair value with changes in fair value reported in trading revenues. The application of the fair value option does not change the loan's classification. Loan commitments carried at fair value are recorded in other assets or other liabilities, respectively.

### Premises and equipment

Premises are carried at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives, generally 40 to 67 years. Land is carried at historical cost and is not depreciated. Alterations and improvements to rented premises are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life, which is not to exceed ten years. Other tangible fixed assets such as computers, machinery, furnishings, vehicles, other equipment and building improvements are depreciated using the straight-line method over their estimated useful lives, generally three to ten years.

The Group capitalizes costs relating to the acquisition, installation and development of software with a measurable economic benefit, but only if such costs are identifiable and can be reliably measured. The Group depreciates capitalized software costs on a straight-line basis over the estimated useful life of the software, generally not exceeding seven years, taking into consideration the effects of obsolescence, technology, competition and other economic factors.

The Group reflects finance leasing activities for which it is the lessee by recording an asset in premises and equipment and a corresponding liability in other liabilities at an amount equal to the smaller of the present value of the minimum lease payments or fair value, and the leased asset is depreciated over the shorter of the asset's estimated useful life or the lease term.

### Goodwill and other intangible assets

Goodwill arises on the acquisition of subsidiaries and equity method investments. It is measured as the excess of the fair value of the consideration transferred, the fair value of any noncontrolling interest in the acquiree and the fair value of any previously held equity interest in the acquired subsidiary, over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortized; instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Goodwill is allocated to the Group's reporting units for the purposes of the impairment test.

Other intangible assets may be acquired individually or as part of a group of assets assumed in a business combination. Other intangible assets include but are not limited to: patents, licenses, copyrights, trademarks, branch networks, mortgage servicing rights, customer base and deposit relationships. Acquired intangible assets are initially measured at the amount of cash disbursed or the fair value of other assets distributed. Other intangible assets that have a finite useful life are amortized over that period. Other intangible assets acquired after January 1, 2002, that are determined to have an indefinite useful life, are not amortized; instead they are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the indefinite intangible asset may be impaired. Mortgage servicing rights are included in non-amortizing other intangible assets and are carried at fair value, with changes in fair value recognized through earnings in the period in which they occur. Mortgage servicing rights represent the right to perform specified mortgage servicing activities on behalf of third parties. Mortgage servicing rights are either purchased from third parties or retained upon sale of acquired or originated loans.

### Recognition of an impairment on tangible fixed assets and finite intangible assets

The Group evaluates premises and equipment and finite intangible assets for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the asset is considered not to be recoverable, an impairment is recorded in general and administrative expenses to the extent the fair value of the asset is less than its carrying amount. Recognition of an impairment on such assets establishes a new cost base, which is not adjusted for subsequent recoveries in value.

### Income taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the dates of the consolidated balance sheets and their respective tax bases. Deferred tax assets and liabilities are computed using currently enacted tax rates and are recorded in other assets and other liabilities, respectively. Income tax expense or benefit is recorded in income tax expense/(benefit), except to the extent the tax effect relates to transactions recorded directly in total shareholders' equity. Deferred tax assets are reduced by a valuation allowance, if necessary, to the amount that management believes will more likely than not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates in the period in which changes are approved by the relevant authority. Deferred tax assets and liabilities are presented on a net basis for the same tax-paying component within the same tax jurisdiction.

The Group follows the guidance in ASC Topic 740 – Income Taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Group determines whether it is more likely than not that an income tax position will be sustained upon examination based on the technical merits of the position. Sustainable income tax positions are then measured to determine the amount of benefit eligible for recognition in the consolidated financial statements. Each such sustainable income tax position is measured at the largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

**Life settlement contracts**

Life settlement contracts are initially recognized at the transaction price and subsequently carried at fair value unless the Group elects to apply the investment method. The contracts that are not accounted for under the investment method are carried at fair value and are recorded in trading assets.

Under the investment method, the contracts are initially recognized at the transaction price plus any directly related external costs and are recorded in other investments. Subsequently, all continuing premium payments made are capitalized unless the aggregated carrying value exceeds fair value, in which case an impairment allowance is established so that the carrying value does not exceed fair value.

**Brokerage receivables and brokerage payables**

The Group recognizes receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, and broker-dealers. The Group is exposed to risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments purchased or sold, in which case the Group would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent an exchange or clearing organization acts as counterparty to a transaction, credit risk is generally considered to be limited. The Group establishes credit limits for each customer and requires them to maintain margin collateral in compliance with applicable regulatory and internal guidelines. In order to conduct trades with an exchange or a third-party bank, the Group is required to maintain a margin. This is usually in the form of cash and deposited in a separate margin account with the exchange or broker. If available information indicates that it is probable that a brokerage receivable is impaired, an allowance is established. Write-offs of brokerage receivables occur if the outstanding amounts are considered uncollectible.

**Other assets**

Derivative instruments used for hedging

Derivative instruments are carried at fair value. The fair values of derivative instruments held for hedging are included as other assets or other liabilities in the consolidated balance sheets. The accounting treatment used for changes in fair value of hedging derivatives depends on the designation of the derivative as either a fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation. Changes in fair value representing hedge ineffectiveness are reported in trading revenues.

**Long-term debt**

Total long-term debt is comprised of debt issuances which do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded derivatives, which are issued as part of the Group's structured product activities. Long-term debt includes both Swiss franc and foreign currency denominated fixed and variable rate bonds.

The Group actively manages the interest rate risk on vanilla debt through the use of derivative contracts, primarily interest rate and currency swaps. In particular, fixed rate debt is hedged with receive-fixed, pay-floating interest rate swaps. The Group elected to fair value this fixed rate debt upon implementation of the fair value option on January 1, 2007, with changes in fair value recognized as a component of trading revenues. The Group did not elect to apply the fair value option to fixed-rate debt issued by the Group since January 1, 2008 and instead applies hedge accounting per the guidance of ASC Topic 815 – Derivatives and Hedging.

The Group's long-term debt also includes various equity-linked and other indexed instruments with embedded derivative features, whose payments and redemption values are linked to commodities, stocks, indices, currencies or other assets. The Group elected to account for substantially all of these instruments at fair value. Changes in the fair value of these instruments are recognized as a component of trading revenues.

**Other liabilities**

Guarantees

In cases where the Group acts as a guarantor, the Group recognizes in other liabilities, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in issuing such a guarantee, including its ongoing obligation to perform over the term of the guarantee in the event that certain events or conditions occur.

Pensions and other post-retirement benefits

The Group uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31.

Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by Group management. This includes making assumptions with regard to discount rates, expected return on plan assets and salary increases.

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. In countries where no deep market in high-quality corporate bonds exists, the estimate is based on governmental bonds adjusted to include a risk premium reflecting the additional risk for corporate bonds.

The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy.

Health care cost trend rates are determined by reviewing external data and the Group's own historical trends for health care

costs. Salary increases are determined by reviewing external data and considering internal projections.

The funded status of the Group's defined benefit post-retirement and pension plans is recognized in the consolidated balance sheets.

Actuarial gains and losses in excess of 10% of the greater of the PBO or the market value of plan assets and unrecognized prior service costs or credits are amortized to net periodic pension and other post-retirement benefit costs on a straight-line basis over the average remaining service life of active employees expected to receive benefits.

The Group records pension expense for defined contribution plans when the employee renders service to the company, essentially coinciding with the cash contributions to the plans.

**Share-based compensation**

For all share-based awards granted to employees and existing awards modified on or after January 1, 2005, compensation expense is measured at grant date or modification date based on the fair value of the number of awards for which the requisite service is expected to be rendered and is recognized in the consolidated statements of operations over the required service period on a straight-line basis. For all outstanding unvested share-based awards as of January 1, 2005, compensation expense is measured based on the original grant date fair value of the award and is recognized over the remaining requisite service period of each award on a straight-line basis.

The Group uses the tax law ordering approach to determine the portion of the total tax expense that relates to windfall tax benefits that are to be recorded in additional paid-in capital. In addition, it elected to use the practical transition option in determining the amount of windfall tax benefits recorded in additional paid-in capital arising on awards that were fully vested prior to January 1, 2005.

Compensation expense for share-based awards that vest in annual installments (graded vesting), which only contain a service condition that affects vesting, is recognized on a straight-line basis over the service period for the entire award. However, if such awards contain a performance condition, then each installment is expensed as if it were a separate award ("front-loaded" expense recognition). Furthermore, recognition of compensation expense is accelerated to the date an employee becomes eligible for retirement. For awards granted to employees eligible for retirement prior to January 1, 2005, the Group's policy is to record compensation expense over the requisite service period.

Certain share-based awards also contain a performance condition, where the number of shares the employee is to receive is dependent on the performance (e.g., net income or return on equity (ROE)) of the Group or a division of the Group. If the employee is also required to provide the service stipulated in the award terms, the amount of compensation expense attributed to the incremental additional units expected to be received at vesting due to this performance condition is estimated on the grant date and subsequent changes in this estimate are recorded in the consolidated statements of operations over the remaining service period.

When awards contain market conditions, where the number of shares the employee receives varies based on changes in the Group share price, the incremental amount of extra shares the employee is expected to receive due to the market condition is estimated on the grant date and the total compensation expense is not adjusted thereafter for changes in the Group share price.

Certain employees own non-substantive equity interests in the form of carried interests in private equity funds managed by the Group. Expenses recognized under these ownership interests are reflected in the consolidated statements of operations in compensation and benefits.

The Group has certain option plans outstanding, primarily related to 1999 and prior years, which include a cash settlement feature. For those plans, liability award accounting is applied until settlement of the awards.

**Own shares, own bonds and financial instruments on own shares**

The Group may buy and sell own shares, own bonds and financial instruments on own shares within its normal trading and market-making activities. In addition, the Group may hold its own shares to satisfy commitments arising from employee share-based compensation awards. Own shares are recorded at cost and reported as treasury shares, resulting in a reduction to total shareholders' equity. Financial instruments on own shares are recorded as assets or liabilities or as equity when the criteria for equity classification are met. Dividends received by subsidiaries on own shares and unrealized and realized gains and losses on own shares classified in total shareholders' equity are excluded from the consolidated statements of operations.

Any holdings of bonds issued by any Group entity are eliminated in the consolidated financial statements.

**Net interest income**

Interest income and interest expense arising from interest-bearing assets and liabilities other than those carried at fair value or the lower of cost or market are accrued, and any related net deferred premiums, discounts, origination fees or costs are amortized as an adjustment to the yield over the life of the related asset and liability. Interest from debt securities and dividends on equity securities carried as trading assets and trading liabilities are recorded in interest and dividend income.

▸ Refer to "Loans" for further information on interest on loans.

**Commissions and fees**

Fee revenue is recognized when all of the following criteria have been met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectibility is reasonably assured. Fee income can be divided into two broad categories: income earned from services that are provided over a certain period of time, for which customers are generally billed on an annual or semi-annual basis, and income earned from providing transaction-type services. Fees earned from services that are provided over a certain period of time are recognized

ratably over the service period. Fees earned from providing transaction-type services are recognized when the service has been completed. Performance-linked fees or fee components are recognized at any contractual measurement date when the contractually agreed thresholds are met.

Revenues from underwriting and fees from mergers and acquisitions (M&A) and other corporate finance advisory services are recorded at the time the underlying transactions are substantially completed and there are no other contingencies associated with the fees.

Transaction-related expenses are deferred until the related revenue is recognized, assuming they are deemed direct and incremental; otherwise, they are expensed as incurred. Underwriting fees are reported net of related expenses. Expenses associated with financial advisory services are recorded in operating expenses unless reimbursed by the client.

In circumstances where the Group contracts to provide multiple products, services or rights to a counterparty, an evaluation is made as to whether separate revenue recognition events have occurred. This evaluation considers the stand-alone value of items already delivered and if there is a right of return or warranties on delivered items and services, and the probability of delivery of remaining undelivered items or services. This evaluation is made on a transaction-by-transaction basis.

If the criteria noted are met, then the transaction is considered a multiple-deliverable arrangement where revenue recognition is determined separately for each deliverable. The consideration received on the total arrangement is allocated to the multiple deliverables based on the selling price of each deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence or third-party evidence is available.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis.

## 2 Recently issued accounting standards

### Recently adopted accounting standards

#### ASC Topic 310 – Receivables

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure" (ASU 2014-04), an update to ASC Topic 310 – Receivables. The amendments require interim and annual disclosure of both (i) the amount of foreclosed residential real estate property held by the creditor and (ii) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The adoption of ASU 2014-04 on January 1, 2015 did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 860 – Transfers and Servicing

In June 2014, the FASB issued ASU 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures" (ASU 2014-11), an update to ASC Topic 860 – Transfers and Servicing. ASU 2014-11 amends the accounting guidance for repurchase-to-maturity transactions and repurchase financing arrangements. As a result of these amendments repurchase-to-maturity transactions are reported as secured borrowings. For repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. The amendments also specify additional disclosures that entities must include. The adoption of ASU 2014-11 on January 1, 2015 did not have a material impact on the Group's financial position, results of operations and cash flows.

### Standards to be adopted in future periods

#### ASC Topic 205 – Presentation of Financial Statements

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" (ASU 2014-15), an update to ASC Topic 205 – Presentation of Financial Statements. The amendments in ASU 2014-15 provide guidance in US GAAP about management's responsibility to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures in the notes to the financial statements. The amendments are expected to reduce diversity in the timing and content of such disclosures. ASU 2014-15 is effective for the annual reporting period ending after December 15, 2016, and for the interim and annual reporting periods thereafter. Early adoption is permitted. As these amendments relate only to disclosures, the adoption of ASU 2014-15 will have no impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 606 – Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), an update to ASC Topic 606 – Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU outlines key steps that an entity should follow to achieve

the core principle. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" (ASU 2015-14). ASU 2015-14 defers the effective date of ASU 2014-09 from interim and annual periods beginning after December 15, 2016 to December 15, 2017. The Group is currently evaluating the impact of the adoption of ASU 2014-09 on the Group's financial position, results of operations and cash flows.

**ASC Topic 718 – Compensation – Stock Compensation**

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" (ASU 2014-12), an update to Topic 718 – Compensation – Stock Compensation. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The adoption of ASU 2014-12 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

**ASC Topic 810 – Consolidation**

In February 2015, the FASB issued ASU 2015-02, "Amendments to the Consolidation Analysis" (ASU 2015-02), an update to ASC Topic 810 – Consolidation. The amendments in ASU 2015-02 rescind the indefinite deferral for certain investment funds, which is included in ASU 2010-10, Consolidation (ASC Topic 810), "Amendments for Certain Investment Funds". The amendments in ASU 2015-02 also require a re-evaluation as to whether certain legal entities require consolidation under the revised consolidation model, specifically as it relates to whether limited partnerships and similar legal entities are VIEs or voting interest entities, the elimination of the presumption that a general partner controls a partnership, and the consolidation analysis of VIEs, particularly those that have fee arrangements and related party relationships. The adoption of ASU 2015-02 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" (ASU 2014-13), an update to ASC Topic 810 – Consolidation. ASU 2014-13 applies to reporting entities that are required to consolidate a collateralized financing entity (CFE) under the VIE guidance. These entities may elect to measure the financial assets and the financial liabilities of the CFE at fair value using either ASC Topic 820 – Fair Value Measurements or an alternative provided in ASU 2014-13. When using the measurement alternative provided in this update, the reporting entity should measure both the financial assets and the financial liabilities of the CFE, using the most observable of (i) the fair value of the financial assets and (ii) the fair value of the financial liabilities. The adoption of ASU 2014-13 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

**ASC Topic 815 – Derivatives and Hedging**

In November 2014, the FASB issued ASU 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity" (ASU 2014-16), an update to ASC Topic 815 – Derivatives and Hedging. The amendments in ASU 2014-16 clarify that for hybrid financial instruments issued in the form of a share, an entity (an issuer or an investor) should determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. The adoption of ASU 2014-16 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

**ASC Topic 820 – Fair Value Measurement**

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2015-07), an update to ASC Topic 820 – Fair Value Measurement. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient and change the scope of certain disclosure requirements to those investments for which an entity has elected using that practical expedient. The adoption of ASU 2015-07 on January 1, 2016 resulted in modified disclosures but did not have a material impact on the Group's financial position, results of operations and cash flows.

**ASC Topic 825 – Financial Instruments – Overall**

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), an update to ASC Topic 825 – Financial Instruments – Overall. The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, and for the interim and annual reporting periods thereafter. Early adoption of the full standard is not permitted, however, certain sections of ASU 2016-01 relating to fair value option elected financial liabilities can be early adopted in isolation. These amendments to ASU 2016-01 require the changes in fair value relating to instrument-specific credit risk of fair value option elected financial liabilities to be presented separately in accumulated other comprehensive income. The Group has early adopted these sections of the update on January 1, 2016. As a result of adoption, a reclassification of a gain from retained earnings to accumulated other comprehensive income of CHF 475 million, net of tax, was recorded. The Group is currently evaluating the impact of the adoption of the remaining sections of ASU 2016-01 on the Group's financial position, results of operations and cash flows.

### ASC Topic 835 – Interest

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), an update to ASC Subtopic 835-30, "Interest – Imputation of Interest". Under ASU 2015-03, an entity presents debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than an asset. ASU 2015-03 is required to be applied retrospectively to all periods presented beginning in the year of adoption. The adoption of ASU 2015-03 on January 1, 2016 resulted in a reduction to both total assets and total liabilities of CHF 541 million.

### ASC Topic 842 – Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" (ASU 2016-02), creating ASC Topic 842 – Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet. Lessor accounting is substantially unchanged compared to the current accounting guidance. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and for the interim and annual reporting periods thereafter. The Group is currently evaluating the impact of the adoption of ASU 2016-02 on the Group's financial position, results of operations and cash flows.

## 3 Business developments, significant shareholders and subsequent events

The Group's significant business developments for 2015 as well as the Group's significant shareholders are discussed below.

### Business developments

#### Divestitures

▸ Refer to "Note 4 – Discontinued operations" for information on business divestitures that are disclosed as discontinued operations.

In August 2014, the Group announced the sale of Prime Fund Services (PFS), including the existing PFS team, to BNP Paribas. The transaction closed in the second quarter of 2015. Revenues, expenses and the pre-tax gain on the disposal from this sale were immaterial.

#### Mergers and acquisitions

There were no significant mergers and acquisitions in 2015.

#### Organizational structure

To support the execution of the strategy announced on October 21, 2015, the Group simplified its organization, which had been a matrix of two business divisions, each with co-heads, and four regions. The Group restructured and created three new, regionally focused divisions: Swiss Universal Bank, Asia Pacific and International Wealth Management serving Western Europe, Central and Eastern Europe, Latin America and Africa.

Two other divisions – Global Markets and Investment Banking & Capital Markets – sit alongside these regional businesses. These operating businesses are supported by a number of focused functions at the Group Executive Board level, including a newly established position of Chief Operating Officer, tasked with driving the transformation of the Group into a more decentralized organization, and a new position of Chief Compliance and Regulatory Affairs Officer, who coordinates the Group's strategic and increasingly important relationships with regulators across the world.

In addition, the Group has formed a Strategic Resolution Unit that oversees the effective wind-down of the bank's portfolios that do not fit its strategic direction, including those in the former non-strategic units.

Reflecting the new management structure, the Group's financial reporting is presented as six reporting segments, including the new Strategic Resolution Unit. Corporate Center is presented inclusive of overall costs of shared services, providing the pre- and post-allocated view of these costs.

#### Transfer of US private banking business

In October 2015, the Group announced that it had entered into an exclusive recruiting arrangement to transfer its US domestic private banking relationship managers, their clients and certain other staff to Wells Fargo's brokerage business, Wells Fargo Advisors, by early 2016.

#### Capital increase

On November 19, 2015, the Group held an Extraordinary General Meeting, at which shareholders approved two capital increases. The Group completed the first capital increase by way of a private placement of 58,000,000 newly issued shares to a number of qualified investors. Credit Suisse completed the second capital increase by way of a rights offering. By the end of the rights exercise period on December 3, 2015, 99.0% of the rights had been exercised and 258,445,328 newly issued shares were subscribed. The Group sold in the market the remaining 2,538,570 newly issued shares that were not subscribed. The capital increases resulted in 318,983,898 newly issued shares and gross proceeds for the Group of CHF 6.0 billion.

### Significant shareholders registered in the share register

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Number of shares (million) | Total nominal value (CHF million) | Share-holding (%) | Number of shares (million) | Total nominal value (CHF million) | Share-holding (%) |
| **Direct shareholders** [1] | | | | | | |
| Chase Nominees Ltd. [2] | 313 | 13 | 15.99 | 276 | 11 | 17.17 |
| Crescent Holding GmbH | – | – | – [3] | 88 | 4 | 5.51 |

[1] As registered in the share register of the Group on December 31 of the reporting period; includes shareholders registered as nominees or ADS depositary bank.
[2] Nominee holdings exceeding 2% are registered with a right to vote only if the nominee confirms that no individual shareholder holds more than 0.5% of the outstanding share capital or if the nominee discloses the identity of any beneficial owner holding more than 0.5% of the outstanding capital.
[3] Participation was lower than the disclosure threshold of 5%.

### Information received from shareholders not registered in the share register

In addition to the shareholdings registered in the share register of the Group, the Group has obtained and reported to the SIX Swiss Exchange the following information directly from its shareholders in accordance with the notification requirements of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA). These shareholders may hold their shareholdings in Group shares through a nominee.

In a disclosure notification that the Group published on November 9, 2013, the Group was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.17%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Harris Associates L.P. relating to holdings of registered Group shares in 2014 and 2015.

In 2015, the Group received disclosure notifications from Norges Bank, The Olayan Group and Qatar Holding LLC that their holdings of registered Group shares have fallen below the 5% threshold.

In a disclosure notification that the Group published on February 12, 2016, the Group was notified that as of February 8, 2016, Norges Bank held 98.5 million shares or 5.03% of the registered Group shares issued as of the date of the notified transaction.

### Subsequent events

On March 23, 2016, the Group announced a number of additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower its cost base, accelerate the risk-weighted assets and leverage reduction initiatives in the reshaping of the Global Markets business and further strengthen its capital position. The additional measures and new financial objectives include:

- increasing the gross savings target of CHF 3.5 billion by year-end 2018 to CHF 4.3 billion. The net cost savings target in the same time period has increased from CHF 2.0 billion to at least CHF 3.0 billion. These measures are expected to lead to an absolute cost base of CHF 18.0 billion or less by year-end 2018;
- setting a gross cost savings target for the Group of CHF 1.7 billion by year-end 2016;
- reducing the risk-weighted assets target in the Global Markets division from approximately USD 83 – 85 billion to USD 60 billion and the leverage exposure target from approximately USD 380 billion to USD 290 billion by year-end 2016;
- exiting the Distressed Credit, European Securitized Products trading and Long-Term Illiquid Financing businesses in Global Markets;
- the assets from businesses the Group is exiting and other business reductions in Global Markets will predominantly be transferred to the Strategic Resolution Unit over the course of 2016 and the Group is consolidating foreign exchange trading into its trading operations within Swiss Universal Bank; and
- disposals of real estate and non-core businesses and other actions to increase CET1 capital by at least CHF 1 billion during 2016.

The cost reduction program is based on the 2015 cost base and measured on constant foreign exchange rates and based on an expense run rate excluding major litigation expenses, goodwill impairment charges and estimated restructuring costs of CHF 2.0 billion (previously announced CHF 1.3 billion), but including other costs to achieve the savings, which do not meet the accounting definition of restructuring costs. Implementation of these strategy measures will lead to a recasting of prior period segment results, principally in respect of the Global Markets business and the Strategic Resolution Unit, and an assessment of certain balance sheet items.

## 4 Discontinued operations

There were no operations that were discontinued in 2015.

For operations discontinued in 2014 and 2013, the revenues, expenses and gains from disposals were included in the results of the relevant segments. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

The results of operations of the businesses sold have been reflected in income/(loss) from discontinued operations in the

consolidated statements of operations for the relevant periods presented. The assets and liabilities of discontinued operations for which the sale has not yet been completed are presented as assets of discontinued operations held-for-sale and liabilities of discontinued operations held-for-sale, respectively, and prior periods are not reclassified.

### Income/(loss) from discontinued operations

| in | 2014 | 2013 |
|---|---|---|
| **Operations-related (CHF million)** | | |
| **Net revenues** | **31** | **233** |
| of which German private banking business | 27 | 52 |
| of which ETF business | – | 29 |
| of which Strategic Partners | – | 33 |
| of which CFIG | 0 | 114 |
| Operating expenses | 35 | 158 |
| of which German private banking business | 33 | 71 |
| of which ETF business | – | 23 |
| of which Strategic Partners | – | 8 |
| of which CFIG | 0 | 51 |
| Income tax expense/(benefit) | 1 | 38 |
| of which German private banking business | 0 | (6) |
| of which ETF business | – | 5 |
| of which Strategic Partners | – | 10 |
| of which CFIG | 0 | 29 |
| **Income/(loss), net of tax** | **(5)** | **37** |
| of which German private banking business | (6) | (13) |
| of which ETF business | – | 1 |
| of which Strategic Partners | – | 15 |
| of which CFIG | 0 | 34 |
| **Transaction-related (CHF million)** | | |
| **Gain on disposal** | **200** | **237** |
| of which German private banking business | 109 | – |
| of which ETF business | – | 146 |
| of which Strategic Partners | – | 91 |
| of which CFIG | 91 | – |
| Operating expenses | 54 | 93 |
| of which German private banking business | 48 | – |
| of which ETF business | – | 11 |
| of which Strategic Partners | – | 22 |
| of which CFIG | – | 56 |
| Income tax expense/(benefit) | 39 | 36 |
| of which ETF business | – | 21 |
| of which Strategic Partners | – | 40 |
| of which CFIG | 42 | (24) |
| **Income/(loss), net of tax** | **107** | **108** |
| of which German private banking business | 61 | – |
| of which ETF business | – | 114 |
| of which Strategic Partners | – | 29 |
| of which CFIG | 49 | (32) |
| **Discontinued operations – total (CHF million)** | | |
| **Income/(loss) from discontinued operations, net of tax** | **102** | **145** |
| of which German private banking business | 55 | (13) |
| of which ETF business | – | 115 |
| of which Strategic Partners | – | 44 |
| of which CFIG | 49 | 2 |

## 5 Segment information

The Group is a global financial services company domiciled in Switzerland and serves its clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with the strategic direction.

The segment information reflects the Group's six reportable segments, which are managed and reported on a pre-tax basis, as follows:

- The **Swiss Universal Bank** division offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients primarily domiciled in the Group's home market Switzerland. The private banking business serves ultra-high-net-worth individuals (UHNWI), high-net-worth individuals and retail clients and the corporate & institutional banking business serves large corporate clients, small and medium size enterprises, institutional clients and financial institutions.
- The **International Wealth Management** division offers tailored private banking financial solutions to wealthy private clients and external asset managers in Europe, Middle East and Africa (EMEA) and Latin America. The asset management business offers investment solutions and services globally to the private banking businesses and a wide range of other clients, including pension funds, governments, foundations and endowments, corporations and individuals.
- The **Asia Pacific** division offers integrated private banking and investment banking financial solutions to wealthy individuals, institutional investors and corporate clients in the Asia Pacific region, empowered with the tools of the Group's global resources. The division offers institutional investors access to broader financial markets and differentiated product offerings.
- The **Global Markets** division offers a broad range of equities and fixed income products and services and focuses on client-driven businesses and supporting the Group's private banking and wealth management businesses and its clients. The clients include financial institutions, corporations, governments, institutional investors, including pension funds and hedge funds, and private individuals around the world.
- The **Investment Banking & Capital Markets** division offers a broad range of investment banking services to corporations, financial institutions, financial sponsors and UHNWI and sovereign clients. The suite of products and services includes advisory services related to M&A, divestitures, takeover defense mandates, business restructurings and spin-offs. The division also engages in debt and equity underwriting of public securities offerings and private placements.
- The **Strategic Resolution Unit** was created to facilitate the immediate right-sizing of the business divisions from a capital perspective and includes remaining portfolios from the former non-strategic units plus transfers of additional exposures from the business divisions. The Strategic Resolution Unit also includes noncontrolling interest-related revenues and expenses resulting from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest (SEI) in such revenues and expenses. The consolidation of these entities does not affect net income attributable to shareholders as the amounts recorded in net revenues and total operating expenses are offset by corresponding amounts reported as noncontrolling interests.

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses that have not been allocated to the segments. In addition, the Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses. For the operations discontinued in prior years, the revenues, expenses and gains from disposals were included in the results of the segments. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

### Revenue sharing and cost allocation

Responsibility for each product is allocated to a segment, which records all related revenues and expenses. Revenue-sharing and service level agreements govern the compensation received by one segment for generating revenue or providing services on behalf of another. These agreements are negotiated periodically by the relevant segments on a product-by-product basis.

The aim of revenue-sharing and cost allocation agreements is to reflect the pricing structure of unrelated third-party transactions.

Corporate services and business support in finance, operations, human resources, legal, compliance, risk management and IT are provided by corporate functions and the related costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures.

### Funding

The Group centrally manages its funding activities. New securities for funding and capital purposes are issued primarily by Credit Suisse AG, the Swiss bank subsidiary of the Group (the Bank). The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed, the latter typically to meet capital requirements, or as desired by management to capitalize on opportunities. Capital is distributed to the segments considering factors such as regulatory capital requirements, utilized economic capital and the historic and future potential return on capital.

Transfer pricing, using market rates, is used to record net revenues and expenses in each of the segments for this capital and funding. The Group's funds transfer pricing system is designed to allocate funding costs to its businesses in a way that incentivizes their efficient use of funding. The Group's funds transfer pricing system is an essential tool that allocates to the businesses the short-term and long-term costs of funding their balance sheet usages and off-balance sheet contingencies. The funds transfer pricing framework ensures the full funding costs allocation under normal business conditions, but it is of even greater importance in a stressed capital markets environment where raising funds is more challenging and expensive. Under this framework, the Group's businesses are also credited to the extent they provide long-term stable funding.

### Net revenues and income/(loss) from continuing operations before taxes

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Swiss Universal Bank | 5,563 | 5,721 | 5,612 |
| International Wealth Management | 4,394 | 4,751 | 4,929 |
| Asia Pacific | 3,839 | 3,335 | 3,018 |
| Global Markets | 7,391 | 8,613 | 8,974 |
| Investment Banking & Capital Markets | 1,752 | 2,106 | 2,014 |
| Strategic Resolution Unit | 413 | 1,168 | 1,630 |
| Corporate Center | 445 | 548 | (321) |
| **Net revenues** | **23,797** | **26,242** | **25,856** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Swiss Universal Bank | 1,659 | 1,976 | 1,740 |
| International Wealth Management | 709 | 1,212 | 1,217 |
| Asia Pacific | 377 | 900 | 752 |
| Global Markets | (1,944) | 2,657 | 3,012 |
| Investment Banking & Capital Markets | (353) | 508 | 581 |
| Strategic Resolution Unit | (2,510) | (3,573) | (2,558) |
| Corporate Center | (360) | (53) | (648) |
| **Income/(loss) from continuing operations before taxes** | **(2,422)** | **3,627** | **4,096** |

### Total assets

| end of | **2015** | 2014 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Swiss Universal Bank | 218,306 | 213,888 |
| International Wealth Management | 94,033 | 92,466 |
| Asia Pacific | 85,929 | 105,574 |
| Global Markets | 262,201 | 365,580 |
| Investment Banking & Capital Markets | 19,800 | 14,928 |
| Strategic Resolution Unit | 77,664 | 107,464 |
| Corporate Center | 62,872 | 21,562 |
| **Total assets** | **820,805** | **921,462** |

## Net revenues and income/(loss) from continuing operations before taxes by geographic location

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Switzerland | 8,548 | 8,247 | 8,035 |
| EMEA | 3,846 | 4,358 | 4,744 |
| Americas | 8,470 | 11,097 | 10,810 |
| Asia Pacific | 2,933 | 2,540 | 2,267 |
| **Net revenues** | **23,797** | **26,242** | **25,856** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Switzerland | 1,746 | 401 | 642 |
| EMEA | (1,464) | (562) | 157 |
| Americas | (2,877) | 3,739 | 3,365 |
| Asia Pacific | 173 | 49 | (68) |
| **Income/(loss) from continuing operations before taxes** | **(2,422)** | **3,627** | **4,096** |

The designation of net revenues and income/(loss) from continuing operations before taxes is based on the location of the office recording the transactions. This presentation does not reflect the way the Group is managed.

## Total assets by geographic location

| end of | 2015 | 2014 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Switzerland | 221,372 | 211,558 |
| EMEA | 162,232 | 188,420 |
| Americas | 355,542 | 428,253 |
| Asia Pacific | 81,659 | 93,231 |
| **Total assets** | **820,805** | **921,462** |

The designation of total assets by region is based upon customer domicile.

## 6 Net interest income

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Net interest income (CHF million)** | | | |
| Loans | 5,413 | 5,077 | 4,843 |
| Investment securities | 65 | 39 | 45 |
| Trading assets | 9,046 | 9,503 | 10,057 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 2,625 | 2,317 | 2,517 |
| Other | 2,192 | 2,125 | 2,094 |
| Interest and dividend income | 19,341 | 19,061 | 19,556 |
| Deposits | (884) | (1,045) | (978) |
| Short-term borrowings | (105) | (119) | (132) |
| Trading liabilities | (3,854) | (3,938) | (5,083) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (1,264) | (1,042) | (1,156) |
| Long-term debt | (3,728) | (3,594) | (3,846) |
| Other | (207) | (289) | (246) |
| Interest expense | (10,042) | (10,027) | (11,441) |
| **Net interest income** | **9,299** | **9,034** | **8,115** |

## 7 Commissions and fees

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Commissions and fees (CHF million)** | | | |
| Lending business | 1,578 | 1,752 | 1,814 |
| Investment and portfolio management | 3,436 | 3,734 | 3,944 |
| Other securities business | 65 | 94 | 106 |
| Fiduciary business | 3,501 | 3,828 | 4,050 |
| Underwriting | 1,644 | 1,878 | 1,647 |
| Brokerage | 3,648 | 3,696 | 3,933 |
| Underwriting and brokerage | 5,292 | 5,574 | 5,580 |
| Other services | 1,673 | 1,897 | 1,782 |
| **Commissions and fees** | **12,044** | **13,051** | **13,226** |

## 8 Trading revenues

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Trading revenues (CHF million)** | | | |
| Interest rate products | 2,965 | 5,888 | 1,025 |
| Foreign exchange products | (1,121) | (4,398) | 1,203 |
| Equity/index-related products | (259) | 275 | 956 |
| Credit products | 1 | 265 | (879) |
| Commodity, emission and energy products | (46) | (228) | 340 |
| Other products | (200) | 224 | 94 |
| **Trading revenues** | **1,340** | **2,026** | **2,739** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

Trading revenues includes revenues from trading financial assets and liabilities as follows:

- Equities;
- Commodities;
- Listed and OTC derivatives;
- Derivatives linked to funds of hedge funds and providing financing facilities to funds of hedge funds;
- Market making in the government bond and associated OTC derivative swap markets;
- Domestic, corporate and sovereign debt, convertible and non-convertible preferred stock and short-term securities such as floating rate notes and commercial paper (CP);
- Market making and positioning in foreign exchange products;
- Credit derivatives on investment grade and high yield credits;
- Trading and securitizing all forms of securities that are based on underlying pools of assets; and
- Life settlement contracts.

Trading revenues also includes changes in the fair value of financial assets and liabilities elected to fair value under US GAAP. The main components include certain instruments from the following categories:

- Central bank funds purchased/sold;
- Securities purchased/sold under resale/repurchase agreements;
- Securities borrowing/lending transactions;
- Loans and loan commitments; and
- Customer deposits, short-term borrowings and long-term debt.

**Managing the risks**

As a result of the Group's broad involvement in financial products and markets, its trading strategies are correspondingly diverse and exposures are generally spread across a diversified range of risk factors and locations. The Group uses an economic capital limit structure to limit overall risk taking. The level of risk incurred by its divisions is further restricted by a variety of specific limits, including consolidated controls over trading exposures. Also, as part of its overall risk management, the Group holds a portfolio of economic hedges. Hedges are impacted by market movements, similar to trading securities, and may result in gains or losses on the hedges which offset losses or gains on the portfolios they were designed to economically hedge. The Group manages its trading risk with regard to both market and credit risk. For market risk, it uses tools capable of calculating comparable exposures across its many activities, as well as focused tools that can specifically model unique characteristics of certain instruments or portfolios.

The principal measurement methodology for trading assets, as well as most instruments for which the fair value option was elected, is value-at-risk. The Group holds securities as collateral and enters into credit default swaps (CDS) to mitigate the credit risk on these products.

## 9 Other revenues

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Other revenues (CHF million)** | | | |
| Noncontrolling interests without SEI | 9 | 436 | 658 |
| Loans held-for-sale | (19) | (4) | (5) |
| Long-lived assets held-for-sale | 36 | 392 | 30 |
| Equity method investments | 243 | 252 | 251 |
| Other investments | 144 | 312 | 315 |
| Other | 701 | 743 | 527 |
| **Other revenues** | **1,114** | **2,131** | **1,776** |

## 10 Provision for credit losses

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | |
| Provision for loan losses | 295 | 145 | 166 |
| Provision for lending-related and other exposures | 29 | 41 | 1 |
| **Provision for credit losses** | **324** | **186** | **167** |

## 11 Compensation and benefits

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | |
| Salaries and variable compensation | 10,051 | 9,884 | 9,678 |
| Social security | 788 | 793 | 778 |
| Other [1] | 707 | 657 | 800 |
| **Compensation and benefits [2]** | **11,546** | **11,334** | **11,256** |

[1] Includes pension and other post-retirement expense of CHF 359 million, CHF 361 million and CHF 490 million in 2015, 2014 and 2013, respectively.
[2] Includes severance and other compensation expense relating to headcount reductions of CHF 89 million, CHF 275 million and CHF 216 million in 2015, 2014 and 2013, respectively.

## 12 General and administrative expenses

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | |
| Occupancy expenses | 1,022 | 1,177 | 1,186 |
| IT, machinery, etc. | 1,268 | 1,446 | 1,517 |
| Provisions and losses | 1,158 | 2,783 | 2,136 |
| Travel and entertainment | 381 | 353 | 355 |
| Professional services | 3,241 | 2,381 | 1,952 |
| Amortization and impairment of other intangible assets | 19 | 24 | 25 |
| Other | 1,485 | 1,370 | 1,416 |
| **General and administrative expenses** | **8,574** | **9,534** | **8,587** |

## 13 Restructuring expenses

In connection with the strategic review of the Group, restructuring expenses of CHF 355 million were recognized in 2015. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards and real estate contract termination costs.

### Restructuring expenses by segment

| in | 2015 |
|---|---|
| **Restructuring expenses by segment (CHF million)** | |
| Swiss Universal Bank | 39 |
| International Wealth Management | 33 |
| Asia Pacific | 3 |
| Global Markets | 105 |
| Investment Banking & Capital Markets | 22 |
| Strategic Resolution Unit | 153 |
| **Total restructuring expenses** | **355** |

### Restructuring expenses by type

| in | 2015 |
|---|---|
| **Restructuring expenses by type (CHF million)** | |
| Compensation and benefits-related expenses | 309 |
| of which severance expenses | 191 |
| of which accelerated deferred compensation | 87 |
| of which pension expenses | 31 |
| General and administrative-related expenses | 46 |
| **Total restructuring expenses** | **355** |

### Restructuring provision

| | 2015 | | |
|---|---|---|---|
| | Severance expenses | General and administrative-related expenses | Total |
| **Restructuring provision (CHF million)** | | | |
| **Balance at beginning of period** | **0** | **0** | **0** |
| Net additional charges | 191 | 46 | 237 [1] |
| Utilization | (4) | (34) | (38) |
| **Balance at end of period** | **187** | **12** | **199** |

[1] The following items for which expense accretion was accelerated in 2015 due to the restructuring of the Group are not included in the restructuring provision: unsettled share-based compensation of CHF 23 million and unsettled pension obligations of CHF 31 million, which remain classified as a component of total shareholders' equity; and unsettled cash-based deferred compensation of CHF 64 million, which remains classified as compensation liabilities. The settlement date for the unsettled share-based compensation remains unchanged at three years.

## 14 Earnings per share

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | |
| **Income/(loss) from continuing operations** | **(2,944)** | **1,773** | **2,181** |
| Income from discontinued operations, net of tax | 0 | 102 | 145 |
| **Net income/(loss) attributable to shareholders** | **(2,944)** | **1,875** | **2,326** |
| Preferred securities dividends | – | (53) | (236) |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **(2,944)** | **1,822** | **2,090** |
| Available for common shares | (2,958) | 1,743 | 1,873 |
| Available for unvested share-based payment awards | 14 | 79 | 148 |
| Available for mandatory convertible securities [1] | – | – | 69 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **(2,944)** | **1,822** | **2,090** |
| Available for common shares | (2,958) | 1,743 | 1,874 |
| Available for unvested share-based payment awards | 14 | 79 | 148 |
| Available for mandatory convertible securities [1] | – | – | 68 |
| **Weighted-average shares outstanding (million)** | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **1,706.3** | **1,665.1** | **1,581.6** |
| Dilutive share options and warrants | 0.0 | 0.8 | 1.4 |
| Dilutive share awards | 0.0 | 12.2 | 1.2 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares [2]** | **1,706.3 [3]** | **1,678.1** | **1,584.2** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **25.7** | **72.7** | **125.0** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities [1]** | **–** | **–** | **63.0** |
| **Basic earnings/(loss) per share available for common shares (CHF)** | | | |
| Basic earnings/(loss) per share from continuing operations | (1.73) | 0.99 | 1.10 |
| Basic earnings per share from discontinued operations | 0.00 | 0.06 | 0.08 |
| **Basic earnings/(loss) per share available for common shares** | **(1.73)** | **1.05** | **1.18** |
| **Diluted earnings/(loss) per share available for common shares (CHF)** | | | |
| Diluted earnings/(loss) per share from continuing operations | (1.73) | 0.98 | 1.10 |
| Diluted earnings per share from continuing operations | 0.00 | 0.06 | 0.08 |
| **Diluted earnings/(loss) per share available for common shares** | **(1.73)** | **1.04** | **1.18** |

Prior periods have been adjusted to reflect the increase in the number of shares outstanding as a result of the discount element in the 2015 rights issue, as required under US GAAP.

[1] Reflects MACCS issued in July 2012 that were mandatorily convertible into shares on March 29, 2013, which shares were settled and delivered on April 8, 2013.

[2] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 7.6 million, 8.9 million and 35.9 million for 2015, 2014 and 2013, respectively.

[3] Due to the net loss in 2015, 0.9 million weighted-average share options and warrants outstanding and 47.8 million weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

## 15 Securities borrowed, lent and subject to repurchase agreements

| end of | 2015 | 2014 |
|---|---|---|
| **Securities borrowed or purchased under agreements to resell (CHF million)** | | |
| Central bank funds sold and securities purchased under resale agreements | 78,474 | 100,169 |
| Deposits paid for securities borrowed | 44,575 | 63,039 |
| **Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions** | **123,049** | **163,208** |
| **Securities lent or sold under agreements to repurchase (CHF million)** | | |
| Central bank funds purchased and securities sold under repurchase agreements | 36,754 | 60,752 |
| Deposits received for securities lent | 9,844 | 9,367 |
| **Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions** | **46,598** | **70,119** |

Repurchase and reverse repurchase agreements represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time.

In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. In the Group's normal course of business, substantially all of the collateral received that may be sold or repledged has been sold or repledged as of December 31, 2015 and 2014.

## 16 Trading assets and liabilities

| end of | 2015 | 2014 |
|---|---|---|
| **Trading assets (CHF million)** | | |
| Debt securities | 80,542 | 94,391 |
| Equity securities | 70,961 | 94,294 |
| Derivative instruments [1] | 28,365 | 38,012 |
| Other | 10,869 | 14,434 |
| **Trading assets** | **190,737** | **241,131** |
| **Trading liabilities (CHF million)** | | |
| Short positions | 25,485 | 35,784 |
| Derivative instruments [1] | 23,486 | 36,871 |
| **Trading liabilities** | **48,971** | **72,655** |

[1] Amounts shown after counterparty and cash collateral netting.

### Cash collateral on derivative instruments

| end of | 2015 | 2014 |
|---|---|---|
| **Cash collateral – netted (CHF million) [1]** | | |
| Cash collateral paid | 31,887 | 33,404 |
| Cash collateral received | 21,942 | 28,147 |
| **Cash collateral – not netted (CHF million) [2]** | | |
| Cash collateral paid | 7,921 | 10,905 |
| Cash collateral received | 13,989 | 17,043 |

[1] Recorded as cash collateral netting on derivative instruments in Note 27 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 23 – Other assets and other liabilities.

## 17 Investment securities

| end of | 2015 | 2014 |
|---|---|---|
| **Investment securities (CHF million)** | | |
| Securities available-for-sale | 3,090 | 2,791 |
| **Total investment securities** | **3,090** | **2,791** |

### Investment securities by type

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** |
| **Investment securities by type (CHF million)** | | | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 273 | 21 | 0 | 294 | 286 | 18 | 0 | 304 |
| Debt securities issued by foreign governments | 1,382 | 34 | 0 | 1,416 | 2,020 | 47 | 1 | 2,066 |
| Corporate debt securities | 285 | 0 | 0 | 285 | 313 | 0 | 0 | 313 |
| Residential mortgage-backed securities | 750 | 0 | 0 | 750 | 0 | 0 | 0 | 0 |
| Commercial mortgage-backed securities | 259 | 0 | 0 | 259 | 0 | 0 | 0 | 0 |
| Debt securities available-for-sale | 2,949 | 55 | 0 | 3,004 | 2,619 | 65 | 1 | 2,683 |
| Banks, trust and insurance companies | 65 | 20 | 0 | 85 | 73 | 25 | 0 | 98 |
| Industry and all other | 1 | 0 | 0 | 1 | 10 | 0 | 0 | 10 |
| Equity securities available-for-sale | 66 | 20 | 0 | 86 | 83 | 25 | 0 | 108 |
| **Securities available-for-sale** | **3,015** | **75** | **0** | **3,090** | **2,702** | **90** | **1** | **2,791** |

### Gross unrealized losses on investment securities and the related fair value

| | Less than 12 months | | 12 months or more | | **Total** | |
|---|---|---|---|---|---|---|
| end of | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| **2014 (CHF million)** | | | | | | |
| Debt securities issued by foreign governments | 49 | 1 | 0 | 0 | 49 | 1 |
| **Debt securities available-for-sale** | **49** | **1** | **0** | **0** | **49** | **1** |

There were no unrealized losses on investment securities as of the end of 2015. No significant impairment charges were recorded as the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| in | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | Debt securities | Equity securities | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | | | |
| Proceeds from sales | 1 | 17 | 915 | 15 | 163 | 13 |
| Realized gains | 0 | 2 | 17 | 1 | 7 | 1 |
| Realized losses | 0 | 0 | (1) | 0 | 0 | 0 |

### Amortized cost, fair value and average yield of debt securities

| | Debt securities available-for-sale | | |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **2015 (CHF million)** | | | |
| Due within 1 year | 366 | 366 | 0.43 |
| Due from 1 to 5 years | 1,420 | 1,459 | 0.91 |
| Due from 5 to 10 years | 147 | 161 | 1.12 |
| Due after 10 years | 1,016 | 1,018 | 2.97 |
| **Total debt securities** | **2,949** | **3,004** | **1.57** |

## 18 Other investments

| end of | **2015** | 2014 |
|---|---|---|
| **Other investments (CHF million)** | | |
| Equity method investments | 2,876 | 3,453 |
| Non-marketable equity securities [1] | 2,000 | 2,717 |
| Real estate held for investment [2] | 412 | 547 |
| Life finance instruments [3] | 1,733 | 1,896 |
| **Total other investments** | **7,021** | **8,613** |

[1] Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Group has neither significant influence nor control over the investee.
[2] As of December 31, 2015 and 2014, real estate held for investment included foreclosed or repossessed real estate of CHF 38 million and CHF 42 million, respectively, of which CHF 36 million and CHF 42 million, respectively were related to residential real estate.
[3] Includes life settlement contracts at investment method and SPIA contracts.

Non-marketable equity securities held by subsidiaries that are considered investment companies are held by separate legal entities that are within the scope of ASC Topic 946 – Financial Services – Investment Companies. In addition, non-marketable equity securities held by subsidiaries that are considered broker-dealer entities are held by separate legal entities that are within the scope of ASC Topic 940 – Financial Services – Brokers and Dealers. Non-marketable equity securities include investments in entities that regularly calculate NAV per share or its equivalent.

▸ Refer to "Note 35 – Financial instruments" for further information on such investments.

Substantially all non-marketable equity securities are carried at fair value. There were no non-marketable equity securities not carried at fair value that have been in a continuous unrealized loss position.

The Group performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing a new cost base. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. Impairments of CHF 21 million, CHF 10 million and CHF 48 million were recorded in 2015, 2014 and 2013, respectively.

The accumulated depreciation related to real estate held for investment amounted to CHF 365 million, CHF 354 million and CHF 340 million for 2015, 2014 and 2013, respectively.

## 19 Loans, allowance for loan losses and credit quality

Loans are divided in two portfolio segments, “consumer” and “corporate & institutional”. Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate and institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions and governments and public institutions.

The determination of the loan classes is primarily driven by the customer segmentation in the private banking, corporate and institutional as well as investment banking businesses across the Group’s core business divisions, all of which are engaged in lending activities.

The Group assigns both counterparty and transaction ratings to its credit exposures. The counterparty rating reflects the probability of default (PD) of the counterparty. The transaction rating reflects the expected loss, considering collateral, on a given transaction if the counterparty defaults. Credit risk is assessed and monitored on the single obligor and single obligation level as well as on the credit portfolio level as represented by the classes of loans. Credit limits are used to manage counterparty credit risk.

### Loans

| end of | 2015 | 2014 |
|---|---|---|
| **Loans (CHF million)** | | |
| Mortgages | 103,164 | 98,802 |
| Loans collateralized by securities | 37,946 | 39,818 |
| Consumer finance | 3,766 | 4,323 |
| Consumer | 144,876 | 142,943 |
| Real estate | 26,451 | 29,198 |
| Commercial and industrial loans | 77,767 | 75,046 |
| Financial institutions | 21,334 | 22,343 |
| Governments and public institutions | 3,578 | 3,891 |
| Corporate & institutional | 129,130 | 130,478 |
| **Gross loans** | **274,006** | **273,421** |
| of which held at amortized cost | 253,186 | 250,508 |
| of which held at fair value | 20,820 | 22,913 |
| Net (unearned income)/deferred expenses | (145) | (112) |
| Allowance for loan losses | (866) | (758) |
| **Net loans** | **272,995** | **272,551** |
| **Gross loans by location (CHF million)** | | |
| Switzerland | 155,771 | 155,767 |
| Foreign | 118,235 | 117,654 |
| **Gross loans** | **274,006** | **273,421** |
| **Impaired loan portfolio (CHF million)** | | |
| Non-performing loans | 983 | 753 |
| Non-interest-earning loans | 272 | 279 |
| Total non-performing and non-interest-earning loans | 1,255 | 1,032 |
| Restructured loans | 282 | 171 |
| Potential problem loans | 436 | 187 |
| Total other impaired loans | 718 | 358 |
| **Gross impaired loans** | **1,973** | **1,390** |

## Allowance for loan losses

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **251** | **507** | **758** | **267** | **602** | **869** | **288** | **634** | **922** |
| Changes in scope of consolidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1) | (1) |
| Net movements recognized in statements of operations | 66 | 229 | 295 | 66 | 79 | 145 | 76 | 90 | 166 |
| Gross write-offs | (118) | (111) | (229) | (108) | (241) | (349) | (123) | (163) | (286) |
| Recoveries | 12 | 16 | 28 | 17 | 24 | 41 | 24 | 30 | 54 |
| Net write-offs | (106) | (95) | (201) | (91) | (217) | (308) | (99) | (133) | (232) |
| Provisions for interest | 6 | 12 | 18 | 1 | 19 | 20 | 5 | 21 | 26 |
| Foreign currency translation impact and other adjustments, net | (1) | (3) | (4) | 8 | 24 | 32 | (3) | (9) | (12) |
| **Balance at end of period** | **216** | **650** | **866** | **251** | **507** | **758** | **267** | **602** | **869** |
| of which individually evaluated for impairment | 170 | 480 | 650 | 202 | 338 | 540 | 217 | 437 | 654 |
| of which collectively evaluated for impairment | 46 | 170 | 216 | 49 | 169 | 218 | 50 | 165 | 215 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **144,855** | **108,331** | **253,186** | **142,926** | **107,582** | **250,508** | **132,470** | **96,087** | **228,557** |
| of which individually evaluated for impairment [1] | 647 | 1,326 | 1,973 | 582 | 808 | 1,390 | 569 | 920 | 1,489 |
| of which collectively evaluated for impairment | 144,208 | 107,005 | 251,213 | 142,344 | 106,774 | 249,118 | 131,901 | 95,167 | 227,068 |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| in | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 389 | 4,294 | 4,683 | 181 | 4,127 | 4,308 | 0 | 4,611 | 4,611 |
| Reclassifications from loans held-for-sale [2] | 0 | 355 | 355 | 0 | 397 | 397 | 0 | 275 | 275 |
| Reclassifications to loans held-for-sale [3] | 1,641 | 735 | 2,376 | 1,055 | 806 | 1,861 | 0 | 996 | 996 |
| Sales [3] | 0 | 373 | 373 | 0 | 272 | 272 | 0 | 698 | 698 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

**Credit quality of loans held at amortized cost**

Management monitors the credit quality of loans through its credit risk management processes, which are structured to assess, measure, monitor and manage risk on a consistent basis. This process requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Management evaluates many factors when assessing the credit quality of loans. These factors include the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. For the purpose of credit quality disclosures, the Group uses detailed internal risk ratings which are aggregated to the credit quality indicators investment grade and non-investment grade.

The Group employs a set of credit ratings for the purpose of internally rating counterparties. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

Internal ratings are assigned to all loans reflecting the Group's internal view of the credit quality of the counterparty. Internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings for consumer loans and for corporates managed on the Swiss platform are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. Internal ratings for all other corporate and institutional credit facilities are reviewed at least annually. For the calculation of internal risk estimates and risk-weighted assets, a PD is assigned to each loan. For consumer loans, corporates managed on the Swiss platform and since 2015 the majority of all other corporate and institutional counterparties, an internal rating or a PD is calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative factors (primarily balance sheet information for corporates and loan-to-value ratio and the borrower's income level for mortgage lending) and qualitative factors (e.g., credit histories from credit reporting bureaus). For models calculating a PD, an equivalent rating based on the Standard & Poor's rating scale is assigned based on the PD band associated with each rating, which is used for disclosure purposes. For the remaining corporate and institutional facilities, which until the end of 2014 included all corporate and institutional loans excluding corporates managed on the Swiss platform, the PD is determined through an internal rating assigned on the basis of a structured expert approach. The PD for each internal rating is calibrated to historic default experience using internal data and external data from Standard & Poor's.

Since the fourth quarter of 2015, the Group's internal credit rating methodology for lombard loans in the Group's main locations in the Asia Pacific region across all loan classes considers the quality and diversification of collateral securities as a basis for determining the internal risk rating both for regulatory and financial reporting purposes. The change in the internal rating methodology for lombard loans in these locations did not have a significant impact on the Group's total investment grade and non-investment grade loans.

Reverse repurchase agreements are fully collateralized and in the event of counterparty default the reverse repurchase agreement provides the Group the right to liquidate the collateral held. Group risk management manages these instruments on the basis of the value of the underlying collateral, as opposed to loans, which are risk-managed on the ability of the counterparty to repay. Therefore the underlying collateral coverage is the most appropriate credit quality indicator for reverse repurchase agreements. In addition, the Group has elected the fair value option for the majority of its reverse repurchase agreements. As such, reverse repurchase agreements have not been included in the following tables.

The following tables present the Group's recorded investment in loans held at amortized cost by aggregated internal counterparty credit ratings investment grade and non-investment grade that are used as credit quality indicators for the purpose of this disclosure, and a related aging analysis.

### Gross loans held at amortized cost by internal counterparty rating

| end of | Investment grade Ratings AAA to BBB | Non-investment grade Ratings BB to C | Non-investment grade Rating D | Total |
|---|---|---|---|---|
| **2015 (CHF million)** | | | | |
| Mortgages | 89,966 | 12,950 | 248 | 103,164 |
| Loans collateralized by securities | 36,129 | 1,679 | 138 | 37,946 |
| Consumer finance | 1,247 | 2,272 | 226 | 3,745 |
| Consumer | 127,342 | 16,901 | 612 | 144,855 |
| Real estate | 19,454 | 6,126 | 98 | 25,678 |
| Commercial and industrial loans | 32,995 | 32,365 | 859 | 66,219 |
| Financial institutions | 12,391 | 2,965 | 149 | 15,505 |
| Governments and public institutions | 824 | 105 | 0 | 929 |
| Corporate & institutional | 65,664 | 41,561 | 1,106 | 108,331 |
| **Gross loans held at amortized cost** | **193,006** | **58,462** | **1,718** | **253,186** |
| Value of collateral [1] | 178,649 | 48,422 | 1,063 | 228,134 |
| **2014 (CHF million)** | | | | |
| Mortgages | 82,360 | 16,249 | 193 | 98,802 |
| Loans collateralized by securities | 37,426 | 2,306 | 86 | 39,818 |
| Consumer finance | 1,717 | 2,348 | 241 | 4,306 |
| Consumer | 121,503 | 20,903 | 520 | 142,926 |
| Real estate | 20,883 | 7,224 | 68 | 28,175 |
| Commercial and industrial loans | 31,362 | 31,473 | 541 | 63,376 |
| Financial institutions | 11,893 | 2,624 | 106 | 14,623 |
| Governments and public institutions | 992 | 416 | 0 | 1,408 |
| Corporate & institutional | 65,130 | 41,737 | 715 | 107,582 |
| **Gross loans held at amortized cost** | **186,633** | **62,640** | **1,235** | **250,508** |
| Value of collateral [1] | 174,338 | 50,631 | 650 | 225,619 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, the value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Group's risk management policies and directives, with maximum review periods determined by property type, market liquidity, market transparency and appraisal cost.

#### Value of collateral

In the Group's private banking, corporate and institutional businesses, all collateral values for loans are regularly reviewed according to the Group's risk management policies and directives, with maximum review periods determined by collateral type, market liquidity, market transparency and appraisal costs. For example, traded securities are revalued on a daily basis and property values are appraised over a period of more than one year considering the characteristics of the borrower, current developments in the relevant real estate market and the current level of credit exposure to the borrower. If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macroeconomic research. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter regularly revalued by Group credit risk management within the impairment review process.

In the Group's investment banking businesses, few loans are collateral dependent. The collateral values for these loans are appraised on at least an annual basis, or when a loan-relevant event occurs.

### Gross loans held at amortized cost – aging analysis

| | Current | Past due | | | | |
|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31–60 days | 61–90 days | More than 90 days | Total | **Total** |
| **2015 (CHF million)** | | | | | | | |
| Mortgages | 102,895 | 80 | 17 | 10 | 162 | 269 | 103,164 |
| Loans collateralized by securities | 37,589 | 214 | 7 | 1 | 135 | 357 | 37,946 |
| Consumer finance | 3,321 | 176 | 36 | 33 | 179 | 424 | 3,745 |
| Consumer | 143,805 | 470 | 60 | 44 | 476 | 1,050 | 144,855 |
| Real estate | 25,595 | 24 | 3 | 1 | 55 | 83 | 25,678 |
| Commercial and industrial loans | 65,129 | 507 | 109 | 69 | 405 | 1,090 | 66,219 |
| Financial institutions | 15,259 | 90 | 45 | 2 | 109 | 246 | 15,505 |
| Governments and public institutions | 928 | 1 | 0 | 0 | 0 | 1 | 929 |
| Corporate & institutional | 106,911 | 622 | 157 | 72 | 569 | 1,420 | 108,331 |
| **Gross loans held at amortized cost** | **250,716** | **1,092** | **217** | **116** | **1,045** | **2,470** | **253,186** |
| **2014 (CHF million)** | | | | | | | |
| Mortgages | 98,519 | 99 | 14 | 9 | 161 | 283 | 98,802 |
| Loans collateralized by securities | 39,648 | 81 | 1 | 1 | 87 | 170 | 39,818 |
| Consumer finance | 3,784 | 231 | 60 | 46 | 185 | 522 | 4,306 |
| Consumer | 141,951 | 411 | 75 | 56 | 433 | 975 | 142,926 |
| Real estate | 28,084 | 24 | 1 | 4 | 62 | 91 | 28,175 |
| Commercial and industrial loans | 62,305 | 719 | 20 | 39 | 293 | 1,071 | 63,376 |
| Financial institutions | 14,459 | 41 | 0 | 0 | 123 | 164 | 14,623 |
| Governments and public institutions | 1,383 | 25 | 0 | 0 | 0 | 25 | 1,408 |
| Corporate & institutional | 106,231 | 809 | 21 | 43 | 478 | 1,351 | 107,582 |
| **Gross loans held at amortized cost** | **248,182** | **1,220** | **96** | **99** | **911** | **2,326** | **250,508** |

## Impaired loans

### Categories of impaired loans

In accordance with Group policies, impaired loans include non-performing loans, non-interest-earning loans, restructured loans and potential problem loans.

▸ Refer to "Loans" in Note 1 – Summary of significant accounting policies for further information on categories of impaired loans.

As of December 31, 2015 and 2014, loans held-to-maturity carried at amortized cost did not include any subprime residential mortgages. Accordingly, impaired loans did not include any subprime residential mortgages. As of December 31, 2015 and 2014, the Group did not have any material commitments to lend additional funds to debtors whose loan terms had been modified in troubled debt restructurings.

### Gross impaired loans by category

| | Non-performing and non-interest-earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing loans | Non-interest-earning loans | Total | Restructured loans | Potential problem loans | Total | **Total** |
| **2015 (CHF million)** | | | | | | | |
| Mortgages | 197 | 17 | 214 | 18 | 49 | 67 | 281 [1] |
| Loans collateralized by securities | 108 | 27 | 135 | 0 | 3 | 3 | 138 |
| Consumer finance | 204 | 23 | 227 | 0 | 1 | 1 | 228 |
| Consumer | 509 | 67 | 576 | 18 | 53 | 71 | 647 |
| Real estate | 53 | 19 | 72 | 0 | 29 | 29 | 101 |
| Commercial and industrial loans | 333 | 136 | 469 | 263 | 319 | 582 | 1,051 |
| Financial institutions | 88 | 50 | 138 | 1 | 35 | 36 | 174 |
| Corporate & institutional | 474 | 205 | 679 | 264 | 383 | 647 | 1,326 |
| **Gross impaired loans** | **983** | **272** | **1,255** | **282** | **436** | **718** | **1,973** |
| **2014 (CHF million)** | | | | | | | |
| Mortgages | 189 | 19 | 208 | 4 | 39 | 43 | 251 [1] |
| Loans collateralized by securities | 11 | 75 | 86 | 0 | 2 | 2 | 88 |
| Consumer finance | 225 | 17 | 242 | 0 | 1 | 1 | 243 |
| Consumer | 425 | 111 | 536 | 4 | 42 | 46 | 582 |
| Real estate | 50 | 16 | 66 | 0 | 9 | 9 | 75 |
| Commercial and industrial loans | 190 | 116 | 306 | 167 | 133 | 300 | 606 |
| Financial institutions | 88 | 36 | 124 | 0 | 3 | 3 | 127 |
| Corporate & institutional | 328 | 168 | 496 | 167 | 145 | 312 | 808 |
| **Gross impaired loans** | **753** | **279** | **1,032** | **171** | **187** | **358** | **1,390** |

[1] As of December 31, 2015 and 2014, CHF 68 million and CHF 80 million, respectively, were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

#### Write-off and recovery of loans

Write-off of a loan occurs when it is considered certain that there is no possibility of recovering the outstanding principal. In the Group's investment banking businesses, a loan is written down to its net book value once the loan provision is greater than 80% of the loan notional amount, unless repayment of the loan is anticipated to occur within the next two quarters. In the Group's private banking, corporate and institutional businesses, write-offs are made, based on an individual counterparty assessment performed by Group credit risk management, if it is certain that parts of a loan will not be recoverable. For collateralized loans, the collateral is assessed and the unsecured exposure is written off. Write-offs on uncollateralized loans are based on the borrower's ability to pay back the outstanding loan out of free cash flow. The Group evaluates the recoverability of the loans granted, if a borrower is expected to default wholly or partly on its payment obligations or to meet these only with third-party support. Adjustments are made to reflect the estimated realizable value of the loan or any collateral. Triggers to assess the creditworthiness of a borrower to absorb the adverse developments include i) a default on interest or principal payments by more than 90 days, ii) a waiver of interest or principal by the Group, iii) a downgrade of the loan to non-interest-earning, iv) the collection of the debt through seizure order, bankruptcy proceedings or realization of collateral, or v) the insolvency of the borrower. Based on such assessment, Group credit risk management evaluates the need for write-offs individually and on an ongoing basis.

Recoveries of loans previously written off are recorded based on the cash or estimated fair value of other amounts received.

## Gross impaired loan details

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 209 | 196 | 26 | 205 | 194 | 27 |
| Loans collateralized by securities | 117 | 112 | 15 | 63 | 60 | 53 |
| Consumer finance | 221 | 201 | 129 | 236 | 217 | 122 |
| Consumer | 547 | 509 | 170 | 504 | 471 | 202 |
| Real estate | 76 | 72 | 10 | 68 | 64 | 7 |
| Commercial and industrial loans | 815 | 796 | 387 | 599 | 570 | 259 |
| Financial institutions | 172 | 166 | 83 | 126 | 120 | 72 |
| Corporate & institutional | 1,063 | 1,034 | 480 | 793 | 754 | 338 |
| **Gross impaired loans with a specific allowance** | **1,610** | **1,543** | **650** | **1,297** | **1,225** | **540** |
| Mortgages | 72 | 71 | – | 46 | 46 | – |
| Loans collateralized by securities | 21 | 22 | – | 25 | 25 | – |
| Consumer finance | 7 | 7 | – | 7 | 7 | – |
| Consumer | 100 | 100 | – | 78 | 78 | – |
| Real estate | 25 | 25 | – | 7 | 7 | – |
| Commercial and industrial loans | 236 | 236 | – | 7 | 7 | – |
| Financial institutions | 2 | 2 | – | 1 | 1 | – |
| Corporate & institutional | 263 | 263 | – | 15 | 15 | – |
| **Gross impaired loans without specific allowance** | **363** | **363** | **–** | **93** | **93** | **–** |
| **Gross impaired loans** | **1,973** | **1,906** | **650** | **1,390** | **1,318** | **540** |
| of which consumer | 647 | 609 | 170 | 582 | 549 | 202 |
| of which corporate & institutional | 1,326 | 1,297 | 480 | 808 | 769 | 338 |

## Gross impaired loan details (continued)

| in | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 190 | 2 | 2 | 205 | 2 [1] | 2 [1] | 204 | 3 [1] | 2 [1] |
| Loans collateralized by securities | 82 | 0 | 0 | 65 | 1 [1] | 1 [1] | 70 | 2 | 2 |
| Consumer finance | 228 | 1 | 1 | 237 | 1 | 1 | 256 | 0 | 0 |
| Consumer | 500 | 3 | 3 | 507 | 4 | 4 | 530 | 5 | 4 |
| Real estate | 74 | 0 | 0 | 75 | 0 | 0 | 72 | 1 | 1 |
| Commercial and industrial loans | 626 | 7 | 3 | 667 | 10 [1] | 4 [1] | 748 | 12 [1] | 6 [1] |
| Financial institutions | 149 | 1 | 1 | 127 | 0 | 0 | 136 | 1 [1] | 1 [1] |
| Governments and public institutions | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 849 | 8 | 4 | 874 | 10 | 4 | 956 | 14 | 8 |
| **Gross impaired loans with a specific allowance** | **1,349** | **11** | **7** | **1,381** | **14** | **8** | **1,486** | **19** | **12** |
| Mortgages | 51 | 4 | 0 | 36 | 5 [1] | 0 | 26 | 3 [1] | 0 |
| Loans collateralized by securities | 33 | 0 | 0 | 29 | 1 [1] | 1 [1] | 27 | 0 | 0 |
| Consumer finance | 7 | 0 | 0 | 21 | 0 | 0 | 22 | 0 | 0 |
| Consumer | 91 | 4 | 0 | 86 | 6 | 1 | 75 | 3 | 0 |
| Real estate | 12 | 1 | 0 | 9 | 4 [1] | 0 | 11 | 0 | 0 |
| Commercial and industrial loans | 98 | 3 | 1 | 18 | 3 [1] | 0 | 59 | 5 [1] | 0 |
| Financial institutions | 4 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| Corporate & institutional | 114 | 4 | 1 | 27 | 7 | 0 | 72 | 5 | 0 |
| **Gross impaired loans without specific allowance** | **205** | **8** | **1** | **113** | **13** | **1** | **147** | **8** | **0** |
| **Gross impaired loans** | **1,554** | **19** | **8** | **1,494** | **27** | **9** | **1,633** | **27** | **12** |
| of which consumer | 591 | 7 | 3 | 593 | 10 | 5 | 605 | 8 | 4 |
| of which corporate & institutional | 963 | 12 | 5 | 901 | 17 | 4 | 1,028 | 19 | 8 |

[1] Prior period has been corrected.

### Allowance for specifically identified credit losses on impaired loans

The Group considers a loan impaired when, based on current information and events, it is probable that the Group will be unable to collect the amounts due according to the contractual terms of the loan agreement. The Group performs an in-depth review and analysis of impaired loans considering factors such as recovery and exit options as well as collateral and counterparty risk. In general, all impaired loans are individually assessed. For consumer loans, the trigger to detect an impaired loan is non-payment of interest. Non-payment of interest is also a trigger to detect impaired corporate and institutional loans. In addition, loans to corporates managed on the Swiss platform are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. All other corporate and institutional loans are reviewed at least annually based on the borrower's financial statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be moved to Group recovery management, at which point they are reviewed quarterly for impairment. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events. For certain non-collateral-dependent impaired loans, an impairment is measured using the present value of estimated future cash flows, except that as a practical expedient an impairment may be measured based on a loan's observable market price. If the present value of estimated future cash flows is used, the impaired loan and related allowance are revalued at least quarterly to reflect the passage of time. For collateral-dependent impaired loans, an impairment is measured using the fair value of the collateral.

### Restructured loans held at amortized cost

| in | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | | | | |
| Mortgages | 1 | 13 | 13 | 1 | 4 | 4 | 0 | 0 | 0 |
| Loans collateralized by securities | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Consumer finance | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Commercial and industrial loans | 13 | 207 | 210 | 10 | 290 | 238 | 5 | 27 | 25 |
| Financial institutions | 1 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **16** | **222** | **225** | **11** | **294** | **242** | **6** | **28** | **25** |

In 2015, the Group reported the default of one loan within commercial and industrial loans with a recorded investment amount of CHF 65 million, which had been restructured within the previous 12 months. In 2014 and 2013, the Group did not experience a default of such loans.

In 2015, the loan modifications of the Group included interest rate reductions to rates lower than the current market rate for new loans with similar risk, extended repayment terms, waivers of loan covenants, partial loan waivers, reductions of accrued interest and added penalty interest.

## 20 Premises and equipment

| end of | 2015 | 2014 |
|---|---|---|
| **Premises and equipment (CHF million)** | | |
| Buildings and improvements | 2,326 | 2,303 |
| Land | 417 | 420 |
| Leasehold improvements | 2,064 | 2,180 |
| Software | 5,908 | 6,484 |
| Equipment | 2,035 | 2,390 |
| **Premises and equipment** | **12,750** | **13,777** |
| Accumulated depreciation | (8,106) | (9,136) |
| **Total premises and equipment, net** | **4,644** | **4,641** |

### Depreciation and impairment

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **CHF million** | | | |
| Depreciation | 1,012 | 1,232 | 1,236 |
| Impairment | 24 | 23 | 65 |

## 21 Goodwill

### Goodwill

| 2015 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse Group** |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **570** | **1,557** | **2,306** | **3,263** | **1,030** | **12** | **8,738** |
| Foreign currency translation impact | (2) | (7) | (4) | (3) | 0 | 0 | (16) |
| Other | (1) | (1) | (8) | (10) | (3) | 0 | (23) |
| **Balance at end of period** | **567** | **1,549** | **2,294** | **3,250** | **1,027** | **12** | **8,699** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **16** | **58** | **8** | **12** | **94** |
| Impairment losses | 0 | 0 | 756 | 2,661 | 380 | 0 | 3,797 |
| **Balance at end of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **567** | **1,549** | **1,522** | **531** | **639** | **0** | **4,808** |

### Goodwill (continued)

| 2014 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse Group** |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **541** | **1,443** | **2,134** | **3,011** | **952** | **12** | **8,093** |
| Goodwill acquired during the year | 0 | 22 | 0 | 0 | 0 | 0 | 22 |
| Foreign currency translation impact | 29 | 126 | 172 | 254 | 80 | 0 | 661 |
| Other | 0 | (34) | 0 | (2) | (2) | 0 | (38) |
| **Balance at end of period** | **570** | **1,557** | **2,306** | **3,263** | **1,030** | **12** | **8,738** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **16** | **58** | **8** | **12** | **94** |
| **Balance at end of period** | **0** | **0** | **16** | **58** | **8** | **12** | **94** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **570** | **1,557** | **2,290** | **3,205** | **1,022** | **0** | **8,644** |

In accordance with US GAAP, the Group continually assesses whether or not there has been a triggering event requiring a review of goodwill. As of December 31, 2015 and 2014, the Group's market capitalization was below book value.

On October 21, 2015, the Group announced the new strategy and organization, which included the introduction of a new segment structure. Under the prior structure, the reporting units for Private Banking & Wealth Management were Wealth Management Clients, Corporate & Institutional Clients, Asset Management and Private Banking & Wealth Management's non-strategic unit, and Investment Banking was considered to be one reporting unit. With an effective date of November 1, 2015, the reporting units under the new structure were redefined as follows: Swiss Universal Bank – Private Banking, Swiss Universal Bank – Corporate & Institutional Banking, International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Private Banking, Asia Pacific – Investment Banking, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit.

The carrying value of each reporting unit for purposes of the goodwill impairment test is determined by considering the reporting units' risk-weighted assets usage, leverage ratio exposure, deferred tax assets, goodwill and intangible assets. Any residual equity, after considering the total of these elements, is allocated to the reporting units on a pro-rata basis.

In estimating the fair value of its reporting units, the Group applied a combination of the market approach and income approach. Under the market approach, consideration was given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that

reflects the risk and uncertainty related to the reporting unit's projected cash flows, which are determined from the Group's financial plan as approved by the Board of Directors.

In determining the estimated fair value, the Group relied upon its five-year strategic business plan which included significant management assumptions and estimates based on its view of current and future economic conditions and regulatory changes.

Under US GAAP, goodwill has to be tested for impairment before and immediately after a reorganization of reporting units. As a result, the goodwill impairment test was performed as of November 1, 2015 under the old reporting units and then again under the newly defined reporting units. In addition, the remaining goodwill after considering the impairment as of November 1, 2015 was tested for impairment as of December 31, 2015.

The total goodwill impairment for Credit Suisse Group as of November 1, 2015 was CHF 3,797 million. Prior to the reorganization, the goodwill for the Investment Banking reporting unit was impaired by CHF 2,324 million, which was recognized and allocated across the three new reporting units with investment banking activities, Global Markets, Asia Pacific – Investment Banking and Investment Banking & Capital Markets, based on their relative fair values. Immediately after the reorganization, the Global Markets reporting unit was further impaired by CHF 1,473 million. In total, the goodwill impairment of CHF 3,797 million was recognized as follows: CHF 2,661 million in Global Markets, CHF 756 million in Asia Pacific – Investment Banking and CHF 380 million in Investment Banking & Capital Markets.

Based on its goodwill impairment analysis performed as of December 31, 2015, the Group concluded that the estimated fair value for all of the reporting units with goodwill substantially exceeded their related carrying values and no further impairment was necessary as of December 31, 2015.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets and Investment Banking & Capital Markets reporting units as of November 1, 2015 and December 31, 2015 and in the valuation of the former Investment Banking reporting unit as of November 1, 2015. The valuations were also performed using a combination of the market approach and income approach.

The results of the impairment evaluation of each reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a significant margin from its best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, the Group could potentially incur material impairment charges in the future.

As a result of acquisitions, the Group has recorded goodwill as an asset in its consolidated balance sheets, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000. In 2014, the Group completed the acquisition of Morgan Stanley's private wealth management businesses in EMEA, excluding Switzerland, which generated goodwill upon consolidation.

## 22 Other intangible assets

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Gross carrying amount | Accumulated amortization | **Net carrying amount** | Gross carrying amount | Accumulated amortization | **Net carrying amount** |
| **Other intangible assets (CHF million)** | | | | | | |
| Trade names/trademarks | 27 | (25) | 2 | 27 | (24) | 3 |
| Client relationships | 113 | (70) | 43 | 201 | (92) | 109 |
| Other | 5 | (2) | 3 | 11 | (3) | 8 |
| **Total amortizing other intangible assets** | **145** | **(97)** | **48** | **239** | **(119)** | **120** |
| Non-amortizing other intangible assets | 148 | – | 148 | 129 | – | 129 |
| of which mortgage servicing rights, at fair value | 112 | – | 112 | 70 | – | 70 |
| **Total other intangible assets** | **293** | **(97)** | **196** | **368** | **(119)** | **249** |

### Additional information

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Aggregate amortization and impairment (CHF million)** | | | |
| Aggregate amortization | 18 | 22 | 24 |
| Impairment | 16 | 1 | 8 |
| of which related to restructuring expenses | 15 | – | – |
| of which related to discontinued operations | 0 | 0 | 7 |

### Estimated amortization

| Estimated amortization (CHF million) | |
|---|---|
| 2016 | 8 |
| 2017 | 8 |
| 2018 | 8 |
| 2019 | 5 |
| 2020 | 3 |

## 23 Other assets and other liabilities

| end of | 2015 | 2014 |
|---|---|---|
| **Other assets (CHF million)** | | |
| Cash collateral on derivative instruments | 7,921 | 10,905 |
| Cash collateral on non-derivative transactions | 327 | 3,238 |
| Derivative instruments used for hedging | 186 | 1,539 |
| Assets held-for-sale | 26,061 | 26,544 |
| of which loans [1] | 25,839 | 25,911 |
| of which real estate [2] | 182 | 535 |
| of which long-lived assets | 40 | 98 |
| Assets held for separate accounts | 1,307 | 5,650 |
| Interest and fees receivable | 5,658 | 6,237 |
| Deferred tax assets | 6,179 | 6,077 |
| Prepaid expenses | 448 | 517 |
| Failed purchases | 2,770 | 3,138 |
| Other | 7,160 | 6,713 |
| **Other assets** | **58,017** | **70,558** |
| **Other liabilities (CHF million)** | | |
| Cash collateral on derivative instruments | 13,989 | 17,043 |
| Cash collateral on non-derivative transactions | 518 | 797 |
| Derivative instruments used for hedging | 110 | 469 |
| Provisions | 1,851 | 1,358 |
| of which off-balance sheet risk | 88 | 103 |
| Restructuring liabilities | 199 | 0 |
| Liabilities held for separate accounts | 1,307 | 5,650 |
| Interest and fees payable | 6,011 | 6,531 |
| Current tax liabilities | 608 | 821 |
| Deferred tax liabilities | 54 | 47 |
| Failed sales | 1,551 | 1,313 |
| Other | 16,033 | 16,941 |
| **Other liabilities** | **42,231** | **50,970** |

[1] Included as of December 31, 2015 and 2014 were CHF 1,135 million and CHF 1,103 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 60 million and CHF 226 million, respectively, in loans held in trusts, which were consolidated as a result of failed sales under US GAAP.

[2] As of December 31, 2015 and 2014, real estate held-for-sale included foreclosed or repossessed real estate of CHF 31 million and CHF 169 million, respectively, of which CHF 3 million and CHF 2 million, respectively were related to residential real estate.

## 24 Deposits

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Switzerland | Foreign | **Total** | Switzerland | Foreign | **Total** |
| **Deposits (CHF million)** | | | | | | |
| Non-interest-bearing demand deposits | 3,170 | 3,779 | 6,949 | 5,943 | 4,581 | 10,524 |
| Interest-bearing demand deposits | 126,735 | 33,627 | 160,362 | 135,424 | 31,984 | 167,408 |
| Savings deposits | 62,908 | 5 | 62,913 | 77,498 | 29 | 77,527 |
| Time deposits | 32,267 | 101,268 | 133,535 [1] | 17,650 | 121,958 | 139,608 [1] |
| **Total deposits** | **225,080** | **138,679** | **363,759** [2] | **236,515** | **158,552** | **395,067** [2] |
| of which due to banks | – | – | 21,054 | – | – | 26,009 |
| of which customer deposits | – | – | 342,705 | – | – | 369,058 |

The designation of deposits in Switzerland versus foreign deposits is based upon the location of the office where the deposit is recorded.

[1] Included CHF 133,223 million and CHF 139,493 million as of December 31, 2015 and 2014, respectively, of the Swiss franc equivalent of individual time deposits greater than USD 100,000 in Switzerland and foreign offices.

[2] Not included as of December 31, 2015 and 2014 were CHF 2 million and CHF 11 million, respectively, of overdrawn deposits reclassified as loans.

## 25 Long-term debt

| end of | **2015** | 2014 |
|---|---|---|
| **Long-term debt (CHF million)** | | |
| Senior | 157,986 | 139,267 |
| Subordinated | 24,796 | 25,179 |
| Non-recourse liabilities from consolidated VIEs | 14,826 | 13,452 |
| **Long-term debt** | **197,608** | **177,898** |
| of which reported at fair value | 80,931 | 81,166 |
| of which structured notes | 54,848 | 50,469 |

### Structured notes by product

| end of | **2015** | 2014 |
|---|---|---|
| **Structured notes (CHF million)** | | |
| Equity | 35,594 | 35,309 |
| Fixed income | 11,534 | 8,321 |
| Credit | 5,261 | 5,244 |
| Other | 2,459 | 1,595 |
| **Total structured notes** | **54,848** | **50,469** |

Total long-term debt is comprised of debt issuances managed by Treasury that do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded derivatives, which are issued as part of the Group's structured product activities. Long-term debt includes both Swiss franc and foreign exchange denominated fixed and variable rate bonds.

The interest rate ranges presented in the table below are based on the contractual terms of the Group's vanilla debt. Interest rate ranges for future coupon payments on structured products for which ○ fair value has been elected are not included in the table below as these coupons are dependent upon the embedded derivative and prevailing market conditions at the time each coupon is paid. In addition, the effects of derivatives used for hedging are not included in the interest rate ranges on the associated debt.

### Long-term debt by maturities

| end of | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | **Total** |
|---|---|---|---|---|---|---|---|
| **Group parent company (CHF million)** | | | | | | | |
| **Subordinated debt** | | | | | | | |
| Fixed rate | 0 | 0 | 290 | 0 | 0 | 4,735 | 5,025 |
| Interest rates (range in %) [1] | – | – | 6.0 | – | – | 6.3–7.5 | – |
| **Subtotal – Group parent company** | **0** | **0** | **290** | **0** | **0** | **4,735** | **5,025** |
| **Subsidiaries (CHF million)** | | | | | | | |
| **Senior debt** | | | | | | | |
| Fixed rate | 4,752 | 12,430 | 11,194 | 14,241 | 9,187 | 29,475 | 81,279 |
| Variable rate | 17,428 | 15,496 | 9,668 | 7,009 | 6,163 | 20,943 | 76,707 |
| Interest rates (range in %) [1] | 0.0–15.5 | 0.0–15.2 | 0.1–14.8 | 0.1–14.1 | 0.1–4.4 | 0.0–9.3 | – |
| **Subordinated debt** | | | | | | | |
| Fixed rate | 0 | 171 | 10,199 | 0 | 3,423 | 5,683 | 19,476 |
| Variable rate | 0 | 50 | 0 | 187 | 58 | 0 | 295 |
| Interest rates (range in %) [1] | – | 1.1–7.0 | 4.9–13.3 | 0.5 | 0.9–7.0 | 5.7–8.2 | – |
| **Non-recourse liabilities from consolidated VIEs** | | | | | | | |
| Fixed rate | 85 | 998 | 0 | 0 | 3 | 563 | 1,649 |
| Variable rate | 73 | 61 | 0 | 2 | 884 | 12,157 | 13,177 |
| Interest rates (range in %) [1] | 0.0–5.4 | 2.8–4.0 | – | 0.0 | 0.0–4.1 | 0.0–10.5 | – |
| **Subtotal – Subsidiaries** | **22,338** | **29,206** | **31,061** | **21,439** | **19,718** | **68,821** | **192,583** |
| **Total long-term debt** | **22,338** | **29,206** | **31,351** | **21,439** | **19,718** | **73,556** | **197,608** |
| of which structured notes | 10,428 | 7,343 | 7,987 | 4,404 | 5,528 | 19,158 | 54,848 |

The maturity of perpetual debt is based on the earliest callable date. The maturity of all other debt is based on contractual maturity.

[1] Excludes structured notes for which fair value has been elected as the related coupons are dependent upon the embedded derivatives and prevailing market conditions at the time each coupon is paid.

The Group and the Bank maintain a shelf registration statement with the US Securities and Exchange Commission (SEC), which allows them to issue, from time to time, senior and subordinated debt securities, warrants and guarantees.

▸ Refer to "Note 41 – Subsidiary guarantee information" for further information on subsidiary guarantees.

The Group maintains a euro medium-term note program that allows it, certain finance subsidiaries (guaranteed by the Group) and the Bank to issue senior debt securities notes.

The Bank maintains a JPY 500 billion Samurai shelf registration statement that allows it to issue, from time to time, senior and subordinated debt securities.

## 26 Accumulated other comprehensive income and additional share information

### Accumulated other comprehensive income

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | **Accumulated other comprehensive income/ (loss)** |
|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(31)** | **(11,478)** | **64** | **(4,010)** | **452** | **(15,003)** |
| Increase/(decrease) | 0 | (1,142) | (3) | (1,031) | 238 | (1,938) |
| Increase/(decrease) due to equity method investments | (15) | (1) | 0 | 0 | 0 | (16) |
| Reclassification adjustments, included in net income/(loss) | 31 | 6 | (1) | 369 | (83) | 322 |
| Total increase/(decrease) | 16 | (1,137) | (4) | (662) | 155 | (1,632) |
| **Balance at end of period** | **(15)** | **(12,615)** | **60** | **(4,672)** | **607** | **(16,635)** |
| **2014 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(11)** | **(13,674)** | **52** | **(2,757)** | **515** | **(15,875)** |
| Increase/(decrease) | (11) | 2,196 | 25 | (1,440) | 20 | 790 |
| Increase/(decrease) due to equity method investments | 4 | 0 | 0 | 0 | 0 | 4 |
| Reclassification adjustments, included in net income/(loss) | (13) | 0 | (13) | 187 | (83) | 78 |
| Total increase/(decrease) | (20) | 2,196 | 12 | (1,253) | (63) | 872 |
| **Balance at end of period** | **(31)** | **(11,478)** | **64** | **(4,010)** | **452** | **(15,003)** |
| **2013 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(29)** | **(12,767)** | **84** | **(3,801)** | **610** | **(15,903)** |
| Increase/(decrease) | 6 | (991) | (27) | 750 | 0 | (262) |
| Increase/(decrease) due to equity method investments | 13 | 0 | 0 | 0 | 0 | 13 |
| Reclassification adjustments, included in net income/(loss) | (1) | 84 | (5) | 294 | (95) | 277 |
| Total increase/(decrease) | 18 | (907) | (32) | 1,044 | (95) | 28 |
| **Balance at end of period** | **(11)** | **(13,674)** | **52** | **(2,757)** | **515** | **(15,875)** |

Refer to "Note 28 – Tax" and "Note 31 – Pension and other post-retirement benefits" for income tax expense/(benefit) on the movements of accumulated other comprehensive income/(loss).

### Details of significant reclassification adjustments

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Reclassification adjustments, included in net income/(loss) (CHF million)** | | | |
| **Cumulative translation adjustments** | | | |
| Sale of subsidiaries | **0** | **0** | **84** [1] |
| **Actuarial gains/(losses)** | | | |
| Amortization of recognized actuarial losses [2] | 472 | 243 | 390 |
| Tax expense/(benefit) | (103) | (56) | (96) |
| Net of tax | **369** | **187** | **294** |
| **Net prior service credit/(cost)** | | | |
| Amortization of recognized prior service credit/(cost) [2] | (110) | (108) | (120) |
| Tax expense/(benefit) | 27 | 25 | 25 |
| Net of tax | **(83)** | **(83)** | **(95)** |

[1] Includes net releases of CHF 84 million on the sale of JO Hambro, which was settled in the third quarter of 2013. These were reclassified from cumulative translation adjustments and included in net income in other revenues, offset by a gain on the transaction.

[2] These components are included in the computation of total benefit costs. Refer to "Note 31 – Pension and other post-retirement benefits" for further information.

### Additional share information

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Common shares issued** | | | |
| **Balance at beginning of period** | **1,607,168,947** | **1,596,119,349** | **1,320,829,922** |
| Issuance of common shares | 350,210,297 | 11,049,598 | 275,289,427 |
| of which MACCS settlement | 0 | 0 | 199,964,015 |
| of which share-based compensation | 0 | 11,049,598 | 37,773,125 |
| **Balance at end of period** | **1,957,379,244** | **1,607,168,947** | **1,596,119,349** |
| **Treasury shares** | | | |
| **Balance at beginning of period** | **(7,666,658)** | **(5,183,154)** | **(27,036,831)** |
| Sale of treasury shares | 766,096,105 | 357,696,773 | 401,126,114 |
| of which MACCS settlement | 0 | 0 | 33,488,655 |
| Repurchase of treasury shares | (808,768,832) | (386,266,557) | (385,369,391) |
| Share-based compensation | 44,429,161 | 26,086,280 | 6,096,954 |
| **Balance at end of period** | **(5,910,224)** | **(7,666,658)** | **(5,183,154)** |
| **Common shares outstanding** | | | |
| **Balance at end of period** | **1,951,469,020** [1] | **1,599,502,289** [2] | **1,590,936,195** |

[1] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 515,145,579 of these shares were reserved for capital instruments.
[2] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.

## 27 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:

- are offset in the Group's consolidated balance sheets; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

### Derivatives

The Group transacts bilateral OTC derivatives (OTC derivatives) mainly under International Swaps and Derivatives Association (ISDA) Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Group to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values (NRV) and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Exchange-traded derivatives or OTC-cleared derivatives, that are fully margined and for which the daily margin payments constitute settlement of the outstanding exposure, are not included in the offsetting disclosures because they are not subject to offsetting due to the daily settlement. The daily margin payments, which are not settled until the next settlement cycle is conducted, are presented in brokerage receivables or brokerage payables. The notional amount for these daily settled derivatives is included in the fair value of derivative instruments table in "Note 32 – Derivatives and hedging activities".

Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt

instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of derivatives

| end of | 2015 | | 2014 | |
|---|---|---|---|---|
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 15.7 | 14.5 | 257.7 | 250.0 |
| OTC | 153.0 | 146.5 | 213.6 | 210.4 |
| Exchange-traded | 0.0 | 0.0 | 0.1 | 0.0 |
| **Interest rate products** | **168.7** | **161.0** | **471.4** | **460.4** |
| OTC | 58.1 | 68.2 | 86.9 | 99.0 |
| Exchange-traded | 0.3 | 0.3 | 0.1 | 0.2 |
| **Foreign exchange products** | **58.4** | **68.5** | **87.0** | **99.2** |
| OTC | 12.0 | 13.3 | 14.8 | 15.0 |
| Exchange-traded | 8.9 | 11.2 | 12.4 | 14.0 |
| **Equity/index-related products** | **20.9** | **24.5** | **27.2** | **29.0** |
| OTC-cleared | 3.8 | 4.0 | 6.3 | 6.1 |
| OTC | 13.5 | 12.4 | 20.0 | 19.5 |
| **Credit derivatives** | **17.3** | **16.4** | **26.3** | **25.6** |
| OTC | 2.6 | 1.5 | 8.6 | 8.8 |
| Exchange-traded | 0.1 | 0.1 | 0.4 | 0.3 |
| **Other products** | **2.7** | **1.6** | **9.0** | **9.1** |
| OTC-cleared | 19.5 | 18.5 | 264.0 | 256.1 |
| OTC | 239.2 | 241.9 | 343.9 | 352.7 |
| Exchange-traded | 9.3 | 11.6 | 13.0 | 14.5 |
| **Total gross derivatives subject to enforceable master netting agreements** | **268.0** | **272.0** | **620.9** | **623.3** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (19.0) | (18.5) | (261.7) | (255.8) |
| OTC | (217.1) | (226.5) | (316.4) | (326.1) |
| Exchange-traded | (9.0) | (9.9) | (11.9) | (13.1) |
| **Offsetting** | **(245.1)** | **(254.9)** | **(590.0)** | **(595.0)** |
| of which counterparty netting | (223.0) | (223.0) | (561.6) | (561.6) |
| of which cash collateral netting | (22.1) | (31.9) | (28.4) | (33.4) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 0.5 | 0.0 | 2.3 | 0.3 |
| OTC | 22.1 | 15.4 | 27.5 | 26.6 |
| Exchange-traded | 0.3 | 1.7 | 1.1 | 1.4 |
| **Total net derivatives subject to enforceable master netting agreements** | **22.9** | **17.1** | **30.9** | **28.3** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **5.7** | **6.5** | **8.6** | **9.1** |
| **Total net derivatives presented in the consolidated balance sheets** | **28.6** | **23.6** | **39.5** | **37.4** |
| of which recorded in trading assets and trading liabilities | 28.4 | 23.5 | 38.0 | 36.9 |
| of which recorded in other assets and other liabilities | 0.2 | 0.1 | 1.5 | 0.5 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

### Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements. In certain situations, for example, in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Global master repurchase agreements also include payment or settlement netting provisions in the normal course of business that state that all amounts in the same currency payable by each party to the other under any transaction or otherwise under the global master repurchase agreement on the same date shall be set off.

Transactions under such agreements are netted in the consolidated balance sheets if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheets if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheets. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheets.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of December 31, 2015 and December 31, 2014. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

**Offsetting of securities purchased under resale agreements and securities borrowing transactions**

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | **Net** | Gross | Offsetting | **Net** |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 92.0 | (19.6) | 72.4 | 119.3 | (28.0) | 91.3 |
| Securities borrowing transactions | 21.4 | (3.9) | 17.5 | 27.8 | (6.9) | 20.9 |
| **Total subject to enforceable master netting agreements** | **113.4** | **(23.5)** | **89.9** | **147.1** | **(34.9)** | **112.2** |
| **Total not subject to enforceable master netting agreements** [1] | **33.1** | **–** | **33.1** | **51.0** | **–** | **51.0** |
| **Total** | **146.5** | **(23.5)** | **123.0** [2] | **198.1** | **(34.9)** | **163.2** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

[2] CHF 83,565 million and CHF 104,283 million of the total net amount as of December 31, 2015 and 2014, respectively, are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

### Offsetting of securities sold under repurchase agreements and securities lending transactions

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 43.2 | (21.4) | 21.8 | 69.9 | (31.9) | 38.0 |
| Securities lending transactions | 9.8 | (2.1) | 7.7 | 10.8 | (3.0) | 7.8 |
| Obligation to return securities received as collateral, at fair value | 19.4 | 0.0 | 19.4 | 18.8 | 0.0 | 18.8 |
| **Total subject to enforceable master netting agreements** | **72.4** | **(23.5)** | **48.9** | **99.5** | **(34.9)** | **64.6** |
| **Total not subject to enforceable master netting agreements** [1] | **26.2** | **–** | **26.2** | **32.4** | **–** | **32.4** |
| **Total** | **98.6** | **(23.5)** | **75.1** | **131.9** | **(34.9)** | **97.0** |
| of which securities sold under repurchase agreements and securities lending transactions | 70.1 | (23.5) | 46.6 [2] | 105.0 | (34.9) | 70.1 [2] |
| of which obligation to return securities received as collateral, at fair value | 28.5 | 0.0 | 28.5 | 26.9 | 0.0 | 26.9 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 32,398 million and CHF 54,732 million of the total net amount as of December 31, 2015 and 2014, respectively, are reported at fair value.

The following table presents the net amount presented in the consolidated balance sheets of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheets. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

### Amounts not offset in the consolidated balance sheets

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | Net exposure | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | Net exposure |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 22.9 | 6.2 | 0.8 | 15.9 | 30.9 | 6.5 | 0.1 | 24.3 |
| Securities purchased under resale agreements | 72.4 | 72.4 | 0.0 | 0.0 | 91.3 | 91.3 | 0.0 | 0.0 |
| Securities borrowing transactions | 17.5 | 17.1 | 0.0 | 0.4 | 20.9 | 20.3 | 0.0 | 0.6 |
| **Total financial assets subject to enforceable master netting agreements** | **112.8** | **95.7** | **0.8** | **16.3** | **143.1** | **118.1** | **0.1** | **24.9** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 17.1 | 3.4 | 0.0 | 13.7 | 28.3 | 8.5 | 0.0 | 19.8 |
| Securities sold under repurchase agreements | 21.8 | 21.8 | 0.0 | 0.0 | 38.0 | 38.0 | 0.0 | 0.0 |
| Securities lending transactions | 7.7 | 7.4 | 0.0 | 0.3 | 7.8 | 7.6 | 0.0 | 0.2 |
| Obligation to return securities received as collateral, at fair value | 19.4 | 18.5 | 0.0 | 0.9 | 18.8 | 18.1 | 0.0 | 0.7 |
| **Total financial liabilities subject to enforceable master netting agreements** | **66.0** | **51.1** | **0.0** | **14.9** | **92.9** | **72.2** | **0.0** | **20.7** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of CDS and credit insurance contracts. Therefore the net exposure presented in the table above is not representative of the Group's counterparty exposure.

## 28 Tax

### Details of current and deferred taxes

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Current and deferred taxes (CHF million)** | | | |
| Switzerland | 28 | 99 | 12 |
| Foreign | 463 | 622 | 569 |
| **Current income tax expense** | **491** | **721** | **581** |
| Switzerland | 196 | (321) | 22 |
| Foreign | (164) | 1,005 | 673 |
| **Deferred income tax expense** | **32** | **684** | **695** |
| **Income tax expense** | **523** | **1,405** | **1,276** |
| Income tax expense on discontinued operations | 0 | 40 | 75 |
| Income tax expense/(benefit) reported in shareholders' equity related to: | | | |
| Gains/(losses) on cash flow hedges | (4) | 4 | 1 |
| Cumulative translation adjustment | (14) | (117) | 44 |
| Unrealized gains/(losses) on securities | (2) | 5 | (12) |
| Actuarial gains/(losses) | (174) | (375) | 388 |
| Net prior service credit/(cost) | 37 | (11) | (25) |
| Share-based compensation and treasury shares | 25 | 71 | 0 |

### Reconciliation of taxes computed at the Swiss statutory rate

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Switzerland | 1,746 | 401 | 642 |
| Foreign | (4,168) | 3,226 | 3,454 |
| **Income/(loss) from continuing operations before taxes** | **(2,422)** | **3,627** | **4,096** |
| **Reconciliation of taxes computed at the Swiss statutory rate (CHF million)** | | | |
| Income tax expense/(benefit) computed at the statutory tax rate of 22% | (533) | 798 | 901 |
| Increase/(decrease) in income taxes resulting from | | | |
| Foreign tax rate differential | (715) | 314 | 189 |
| Non-deductible amortization of other intangible assets and goodwill impairment | 1,432 | 6 | 25 |
| Other non-deductible expenses | 391 | 666 | 492 |
| Additional taxable income | 16 | 4 | 2 |
| Lower taxed income | (276) | (272) | (381) |
| (Income)/loss taxable to noncontrolling interests | 6 | (163) | (252) |
| Changes in tax law and rates | 347 | 151 | 184 |
| Changes in deferred tax valuation allowance | (103) | 1,064 | 385 |
| Change in recognition of outside basis difference | 262 | (450) | 0 |
| Tax deductible impairments of Swiss subsidiary investments | (258) | (555) | (268) |
| Other | (46) | (158) | (1) |
| **Income tax expense** | **523** | **1,405** | **1,276** |

**2015**

**Foreign tax rate differential** of CHF 715 million reflected a foreign tax benefit mainly driven by losses made in higher tax jurisdictions, such as Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The foreign tax rate benefit in relation to total foreign tax expense of CHF 299 million was more than offset by tax impacts related to additional reconciling items as explained below.

**Non-deductible amortization of other intangible assets and goodwill impairment** of CHF 1,432 million reflected the non-deductible nature of the goodwill impairment.

**Other non-deductible expenses** of CHF 391 million included the impact of CHF 219 million relating to non-deductible interest expenses, CHF 69 million related to non-deductible bank levy costs and other non-deductible compensation expenses and management costs, CHF 50 million related to the non-deductible portion of the litigation provisions and settlement charges, and other various smaller non-deductible expenses of CHF 53 million.

**Lower taxed income** of CHF 276 million included a tax benefit of CHF 59 million related to non-taxable dividend income, CHF 58 million related to non-taxable life insurance income, CHF 50 million related to exempt income, CHF 49 million related to non-taxable foreign exchange gains, CHF 16 million in respect of income taxed at rates lower than the statutory tax rate, and various smaller items.

**Changes in tax law and rates** of CHF 347 million reflected a tax expense of CHF 189 million related to the change in New York City tax law, CHF 175 million caused by the reduction of deferred tax assets from the enactment of UK corporation tax rate changes and introduction of the bank corporation tax surcharge, and CHF 10 million related to changes in other countries, partially offset by a tax benefit of CHF 16 million from a change in the Brazil tax rate and CHF 11 million related to a change in New York state tax law.

**Changes in deferred tax valuation allowances** of CHF 103 million included the net impact of the release of valuation allowances of CHF 109 million, mainly in respect of two of the Group's operating entities, one in the UK and one in Hong Kong, relating to current year earnings. Additionally, 2015 included a release of valuation allowances of CHF 88 million for previously recognized deferred tax assets in respect of one of the Group's operating entities in Hong Kong. The change in UK corporation tax rates and introduction of the bank corporation tax surcharge in 2015 caused a release of valuation allowances of CHF 162 million in respect of four of the Group's operating entities in the UK. Also included was a tax expense of CHF 256 million resulting from the increase in valuation allowances on deferred tax assets mainly from three of the Group's operating entities, two in the UK and one in Switzerland.

**Change in recognition of outside basis difference** of CHF 262 million reflected a tax expense related to the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

**Other** of CHF 46 million included a tax benefit of CHF 155 million relating to the re-assessment of deferred tax balances in Switzerland reflecting changes in forecasted future profitability, partially offset by a tax expense of CHF 48 million relating to the increase of tax contingency accruals and a tax expense of CHF 28 million from prior year adjustments. The remaining balance included various smaller items.

**2014**

**Foreign tax rate differential** of CHF 314 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,627 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items as explained below.

**Other non-deductible expenses** of CHF 666 million included the impact of CHF 390 million relating to the non-deductible portion of the litigation provisions and settlement charges, non-deductible interest expenses of CHF 179 million, non-deductible bank levy costs and other non-deductible compensation expenses and management costs of CHF 59 million, and other various smaller non-deductible expenses of CHF 38 million.

**Lower taxed income** of CHF 272 million included a tax benefit of CHF 84 million related to non-taxable dividend income, CHF 56 million related to non-taxable life insurance income, CHF 35 million in respect of income taxed at rates lower than the statutory tax rate, CHF 34 million related to exempt offshore income and various smaller items.

**Changes in tax law and rates** of CHF 151 million reflected a tax expense related to the change in New York state tax law.

**Changes in deferred tax valuation allowances** of CHF 1,064 million included the net impact of the increase of valuation allowances of CHF 427 million, mainly in respect of six of the Group's operating entities, three in the UK and one in each of Germany, Italy and Switzerland, relating to current year earnings. Additionally, 2014 included an increase in valuation allowance for previously recognized deferred tax assets in respect of two of the Group's operating entities in the UK of CHF 662 million. Also included was a tax benefit of CHF 25 million resulting from the release of valuation allowances on deferred tax assets from one of the Group's operating entities in Spain.

**Change in recognition of outside basis difference** of CHF 450 million reflected a tax benefit related to the enactment of a Swiss GAAP change impacting the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

**Other** of CHF 158 million included a tax benefit of CHF 189 million following audit closures and tax settlements, together with a benefit of CHF 7 million relating to the decrease of tax contingency accruals, partially offset by CHF 30 million return to accrual adjustments and a tax expense of CHF 27 million relating to non-recoverable foreign and withholding taxes. The remaining balance included various smaller items.

**2013**

**Foreign tax rate differential** of CHF 189 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,242 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items explained below.

**Other non-deductible expenses** of CHF 492 million included non-deductible interest expenses of CHF 247 million, non-taxable offshore expenses of CHF 9 million, non-deductible bank levy costs and other non-deductible compensation expenses and management costs of CHF 93 million, non-deductible provision accruals of CHF 103 million and other various smaller non-deductible expenses.

**Lower taxed income** of CHF 381 million included a net tax benefit of CHF 49 million resulting from the reversal of a deferred tax liability previously recorded to cover for a taxable timing difference related to a re-investment relief. In addition, 2013 included a Swiss income tax benefit of CHF 41 million as a result of foreign branch earnings beneficially impacting the earnings mix, a tax benefit of CHF 61 million related to non-taxable life insurance income, CHF 56 million related to exempt offshore income, CHF 45 million in respect of non-taxable dividend income, CHF 18 million related to non-taxable foreign exchange gains, CHF 67 million related to tax credits and CHF 19 million related to permanent tax benefits from tax deductible goodwill amortization. The remaining balance included various smaller items.

**Changes in tax law and rates** of CHF 184 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

**Changes in deferred tax valuation allowances** of CHF 385 million included the impact of the increase of valuation allowances of CHF 249 million, mainly in respect of four of the Group's operating entities, three in Europe and one in Asia, relating to current year earnings. Additionally, 2013 included an increase in valuation allowance for previously recognized deferred tax assets in respect of one of the Group's operating entities in the UK of CHF 278 million. Also included was a tax benefit of CHF 143 million resulting from the release of valuation allowances on deferred tax assets, mainly for two of the Group's operating entities, one in Japan and one in the UK.

**Other** of CHF 1 million included a tax benefit of CHF 57 million relating to the current year's earnings mix and the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to deferred tax assets and a CHF 36 million income tax benefit following a change in the tax status of one of the Group's US entities, offset by a tax expense of CHF 44 million relating to the increase of tax contingency accruals and a tax expense of CHF 56 million relating to non-recoverable foreign and withholding taxes. The remaining balance included various smaller items.

As of December 31, 2015, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 4.5 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

### Deferred tax assets and liabilities

| end of | 2015 | 2014 |
|---|---|---|
| **Deferred tax assets and liabilities (CHF million)** | | |
| Compensation and benefits | 2,425 | 2,373 |
| Loans | 326 | 231 |
| Investment securities | 548 | 882 |
| Provisions | 1,718 | 1,658 |
| Derivatives | 117 | 121 |
| Real estate | 340 | 277 |
| Net operating loss carry-forwards | 5,838 | 6,232 |
| Other | 116 | 99 |
| **Gross deferred tax assets before valuation allowance** | **11,428** | **11,873** |
| Less valuation allowance | (3,905) | (4,107) |
| **Gross deferred tax assets net of valuation allowance** | **7,523** | **7,766** |
| Compensation and benefits | (211) | (164) |
| Loans | (31) | (40) |
| Investment securities | (282) | (619) |
| Provisions | (449) | (448) |
| Business combinations | (1) | (1) |
| Derivatives | (187) | (168) |
| Leasing | (18) | (23) |
| Real estate | (66) | (62) |
| Other | (153) | (211) |
| **Gross deferred tax liabilities** | **(1,398)** | **(1,736)** |
| **Net deferred tax assets** | **6,125** | **6,030** |
| of which deferred tax assets | 6,179 | 6,077 |
| of which net operating losses | 1,754 | 1,814 |
| of which deductible temporary differences | 4,425 | 4,263 |
| of which deferred tax liabilities | (54) | (47) |

The increase in net deferred tax assets from 2014 to 2015 of CHF 95 million was primarily due to the impact of total CHF 162 million from the re-measurement of deferred tax balances in Switzerland and Brazil and the release of valuation allowances in Hong Kong, the tax impacts directly recorded in equity, mainly related to the net impact of share-based compensation, pension plan re-measurement and other tax recorded directly in equity of CHF 164 million, and CHF 207 million related to current year earnings. These increases were partially offset by a decrease of deferred tax assets of CHF 217 million as a result of changes to the corporation tax rates in New York, the UK and Japan, prior year adjustments of CHF 127 million, and foreign exchange translation losses of CHF 94 million, which are included within the currency translation adjustments recorded in AOCI.

The most significant net deferred tax assets arise in the US, Switzerland and UK and these decreased from CHF 5,592 million, net of a valuation allowance of CHF 3,184 million as of the end of 2014, to CHF 5,515 million, net of a valuation allowance of CHF 3,196 million as of the end of 2015.

Due to uncertainty concerning its ability to generate the necessary amount and mix of taxable income in future periods, the Group recorded a valuation allowance against deferred tax assets in the amount of CHF 3.9 billion as of December 31, 2015 compared to CHF 4.1 billion as of December 31, 2014.

### Amounts and expiration dates of net operating loss carry-forwards

| end of 2015 | Total |
|---|---|
| **Net operating loss carry-forwards (CHF million)** | |
| Due to expire within 1 year | 5,304 |
| Due to expire within 2 to 5 years | 7,662 |
| Due to expire within 6 to 10 years | 7,135 |
| Due to expire within 11 to 20 years | 2,981 |
| **Amount due to expire** | **23,082** |
| Amount not due to expire | 15,694 |
| **Total net operating loss carry-forwards** | **38,776** |

### Movements in the valuation allowance

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Movements in the valuation allowance (CHF million)** | | | |
| **Balance at beginning of period** | **4,107** | **2,705** | **2,554** |
| Net changes | (202) | 1,402 | 151 |
| **Balance at end of period** | **3,905** | **4,107** | **2,705** |

As part of its normal practice, the Group has conducted a detailed evaluation of its expected future results. This evaluation is dependent on management estimates and assumptions in developing the expected future results, which are based on a strategic business planning process influenced by current economic conditions and assumptions of future economic conditions that are subject to change. This evaluation took into account both positive and negative evidence related to expected future taxable income and also considered stress scenarios. This evaluation has indicated the expected future results that are likely to be earned in jurisdictions where the Group has significant gross deferred tax assets, primarily in the US and Switzerland. The Group then compared those expected future results with the applicable law governing utilization of deferred tax assets. US tax law allows for a 20-year carry-forward period for net operating losses and Swiss tax law allows for a seven-year carry-forward period for net operating losses.

### Tax benefits associated with share-based compensation

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Tax benefits associated with share-based compensation (CHF million)** | | | |
| Tax benefits recorded in the consolidated statements of operations [1] | 448 | 505 | 483 |
| Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital | (28) | (70) | (24) |
| Tax benefits in respect of tax on dividend equivalent payments | 0 | 1 | 22 |

[1] Calculated at the statutory tax rate before valuation allowance considerations.

▸ Refer to "Note 29 – Employee deferred compensation" for further information on share-based compensation.

If, upon settlement of share-based compensation, the tax deduction exceeds the cumulative compensation cost that the Group had recognized in the consolidated financial statements, the utilized tax benefit associated with any excess deduction is considered a "windfall" and recognized in shareholders' equity as additional paid-in capital and reflected as a financing cash inflow in the consolidated statements of cash flows. If, upon settlement, the tax deduction is lower than the cumulative compensation cost that the Group had recognized in the consolidated financial statements, the tax charge associated with the lower deduction is considered a "shortfall". Tax charges arising on shortfalls are recognized in shareholders' equity to the extent that any shortfalls are lower than the cumulative windfalls, otherwise the tax charge is recognized in the consolidated statements of operations. However, windfall deductions and dividend equivalents aggregating CHF 1.1 billion and CHF 1.1 billion for 2015 and 2014, respectively, did not result in a reduction of income taxes payable because certain entities were in a net operating loss position. When the income tax benefit of these deductions is realized, an estimated CHF 239 million tax benefit will be recorded in additional paid-in capital.

### Uncertain tax positions

US GAAP requires a two-step process in evaluating uncertain income tax positions. In the first step, an enterprise determines whether it is more likely than not that an income tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Income tax positions meeting the more-likely-than-not recognition threshold are then measured to determine the amount of benefit eligible for recognition in the consolidated financial statements. Each income tax position is measured at the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement.

### Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Movements in gross unrecognized tax benefits (CHF million)** | | | |
| **Balance at beginning of period** | **389** | **423** | **420** |
| Increases in unrecognized tax benefits as a result of tax positions taken during a prior period | 44 | 2 | 4 |
| Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period | (3) | (47) | (8) |
| Increases in unrecognized tax benefits as a result of tax positions taken during the current period | 15 | 39 | 46 |
| Decreases in unrecognized tax benefits relating to settlements with tax authorities | 0 | (10) | 0 |
| Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations | (22) | (24) | (5) |
| Other (including foreign currency translation) | (54) | 6 | (34) |
| **Balance at end of period** | **369** | **389** | **423** |
| of which, if recognized, would affect the effective tax rate | 369 | 389 | 417 |

### Interest and penalties

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Interest and penalties (CHF million)** | | | |
| Interest and penalties recognized in the consolidated statements of operations | 13 | 16 | 7 |
| Interest and penalties recognized in the consolidated balance sheets | 86 | 86 | 69 |

Interest and penalties are reported as tax expense. The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date.

It is reasonably possible that there will be a decrease of between zero and CHF 41 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Japan – 2012; Switzerland – 2011; Brazil – 2010; the UK – 2009; the US – 2006; and the Netherlands – 2005.

## 29 Employee deferred compensation

Payment of deferred compensation to employees is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, granting deferred compensation is solely at the discretion of senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees in a single year for forfeited awards from previous employers upon joining the Group. It is the Group's policy not to make multi-year guarantees.

Compensation expense recognized in the consolidated statement of operations for share-based and other awards that were granted as deferred compensation is recognized in accordance with the specific terms and conditions of each respective award and is primarily recognized over the future requisite service and vesting period, which is determined by the plan, retirement eligibility of employees, two-year moratorium periods on early retirement and certain other terms. All deferred compensation plans are subject to non-compete and non-solicit provisions. Compensation expense for share-based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain cash awards that are still outstanding.

The following tables show the compensation expense for deferred compensation awards granted in 2015 and prior years that was recognized in the consolidated statements of operations during 2015, 2014 and 2013, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2015 and prior years outstanding as of December 31, 2015 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized. The estimated unrecognized compensation expense was based on the ○ fair value of each award on the grant date and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments. The recognition of compensation expense for the deferred compensation awards granted in January 2016 began in 2016 and thus had no impact on the 2015 consolidated financial statements.

### Deferred compensation expense

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | |
| Share awards | 852 | 939 | 814 |
| Performance share awards | 563 | 611 | 590 |
| Contingent Capital Awards | 430 | 214 | – |
| Capital Opportunity Facility awards | 16 | 13 | – |
| Plus Bond awards [1] | 22 | 36 | 37 |
| 2011 Partner Asset Facility awards [2] | 2 | 7 | 77 |
| Adjustable Performance Plan share awards [3] | 0 | 0 | 31 |
| Adjustable Performance Plan cash awards [3] | 0 | 0 | 4 |
| Restricted Cash Awards | 39 | 92 | 145 |
| Scaled Incentive Share Units [3] | 0 | (3) | 41 |
| Incentive Share Units [4] | 0 | 0 | (3) |
| 2008 Partner Asset Facility awards [5] | 34 | 87 | 93 |
| Other cash awards | 414 | 404 | 434 |
| Discontinued operations | 0 | (8) | (21) |
| **Total deferred compensation expense** | **2,372** | **2,392** | **2,242** |
| **Total shares delivered (million)** | | | |
| Total shares delivered | 44.4 | 37.1 | 33.7 |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in the first quarter of 2013 and expensed over a three-year period.
[2] Compensation expense mainly includes the change in the underlying fair value of the indexed assets prior to the CCA conversion.
[3] Includes forfeitures and downward adjustments according to the plan terms and conditions.
[4] Includes forfeitures.
[5] Compensation expense mainly includes the change in the underlying fair value of the indexed assets during the period.

### Estimated unrecognized deferred compensation

| end of | 2015 |
|---|---|
| **Estimated unrecognized compensation expense (CHF million)** | |
| Share awards | 573 |
| Performance share awards | 165 |
| Contingent Capital Awards | 230 |
| Other cash awards | 176 |
| **Total** | **1,144** |
| **Aggregate remaining weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.3 |

Does not include the estimated unrecognized compensation expense relating to grants made in 2016 for 2015.

### Deferred compensation awards for 2015

In January 2016, the Group granted share awards, performance share awards and Contingent Capital Awards (CCA) as deferred compensation. Deferred compensation was awarded to employees with total compensation above CHF/USD 250,000 or the local currency equivalent.

### Share awards

Share awards granted in January 2016 are similar to those granted in January 2015. Each share award granted entitles the holder of the award to receive one Group share, subject to service conditions. Share awards vest over three years, such that the share awards vest equally on each of the three anniversaries of the grant date. The value of the share awards is solely dependent on the Group share price at the time of delivery.

The Group's share awards include other awards, such as blocked shares and special awards, which may be granted to new employees. Other share awards entitle the holder to receive one Group share, are subject to continued employment with the Group, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

On January 19, 2016, the Group granted 28.8 million share awards with a total value of CHF 549 million. The number of share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as share awards by the average price of a Group share over the twelve business days ended January 18, 2016. The fair value of each share award was CHF 18.62, the Group share price on the grant date. While share awards granted between January 1, 2014 and December 31, 2015 did not include the right to receive dividend equivalents, share awards granted after January 1, 2016 include the right to receive dividend equivalents, upon vesting. The estimated unrecognized compensation expense of CHF 521 million was determined based on the fair value of the award on the grant date, includes the current estimate of future forfeitures and will be recognized over the three-year vesting period, subject to early retirement rules.

### Share awards granted in January for previous years

| For compensation year | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Share awards granted in January** | | | |
| Shares awarded (million) | 28.8 | 37.2 | 30.2 |
| Value of shares awarded (CHF million) | 549 | 642 | 827 |
| Fair value of each share awarded (CHF) | 18.62 [1] | 16.94 [2] | 28.13 [2] |

[1] Based on the Group's share price on the grant date.
[2] Based on the Group's share price on the grant date discounted for future expected dividends.

In order to comply with Capital Requirements Directive IV requirements, employees who hold key roles in respect of certain Group subsidiaries receive shares that are subject to transfer restrictions for 50% of the amount that would have been paid to them in cash. These shares are vested at the time of grant but remain blocked, that is, subject to transfer restrictions, for six months to three years from the date of grant, depending on the location.

On January 19, 2016, the Group granted 0.6 million blocked shares with a total value of CHF 12 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2015.

### Blocked share awards granted in January for previous years

| For compensation year | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Blocked share awards granted in January** | | | |
| Shares awarded (million) | 0.6 | 1.6 | 0.6 |
| Value of shares awarded (CHF million) | 12 | 36 | 18 |

### Share award activities

| | **2015** | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | Number of share awards in million | Weighted-average grant-date fair value in CHF | Number of share awards in million | Weighted-average grant-date fair value in CHF | Number of share awards in million | Weighted-average grant-date fair value in CHF |
| **Share awards** | | | | | | |
| **Balance at beginning of period** | **77.1** | **28.64** | **72.9** | **30.09** | **55.8** | **34.28** |
| Granted | 47.5 [1] | 16.67 | 37.6 | 27.60 | 40.4 | 26.43 |
| Settled | (40.3) | 29.00 | (29.5) | 30.43 | (20.0) | 34.09 |
| Forfeited | (4.0) | 24.29 | (3.9) | 32.20 | (3.3) | 31.80 |
| **Balance at end of period** | **80.3** | **21.58** | **77.1** | **28.64** | **72.9** | **30.09** |
| of which vested | 4.7 | – | 6.2 | – | 5.8 | – |
| of which unvested | 75.6 | – | 70.9 | – | 67.1 | – |

[1] Includes an adjustment for share awards granted in the fourth quarter of 2015 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on November 19, 2015. The number of deferred share-based awards held by each individual was increased by 2.89%. The terms and conditions of the adjusted shares were the same as the existing share-based awards thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional shares granted.

### Performance share awards

Members of the Executive Board, managing directors and all material risk takers and controllers (employees whose activities are considered to have a potentially material impact on the Group's risk profile) received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to explicit performance-related malus provisions. Each performance share award granted entitles the holder of the award to receive one Group share. Performance share awards vest over three years, such that the performance share awards vest equally on each of the three anniversaries of the grant date. Performance share awards granted for 2015 are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as of December 31, 2015, or a negative ROE of the Group, whichever results in a larger adjustment. For employees in corporate functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative ROE of the Group and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

Outstanding performance share awards granted in previous years are subject to a negative adjustment in the event of a negative strategic ROE of the Group, which is calculated based on Core Results, adjusted for the goodwill impairment charge related to the re-organization of the former Investment Banking division.

On January 19, 2016, the Group granted 21.3 million performance share awards with a total value of CHF 429 million. The number of performance share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as performance share awards by the average price of a Group share over the twelve business days ended January 18, 2016. The fair value of each performance share award was CHF 18.62, the Group share price on the grant date. While performance share awards granted between January 1, 2014 and December 31, 2015 did not include the right to receive dividend equivalents, performance share awards granted after January 1, 2016 include the right to receive dividend equivalents, upon vesting. The estimated unrecognized compensation expense of CHF 386 million was determined based on the fair value of the award on the grant date, includes the current estimated outcome of the relevant performance criteria and estimated future forfeitures and will be recognized over the three-year vesting period.

### Performance share awards granted in January for previous years

| For compensation year | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Performance share awards granted in January** | | | |
| Shares awarded (million) | 21.3 | 30.7 | 24.2 |
| Value of shares awarded (CHF million) | 429 | 529 | 663 |
| Fair value of each performance share awarded (CHF) | 18.62 [1] | 16.94 [2] | 28.13 [2] |

[1] Based on the Group's share price on the grant date.
[2] Based on the Group's share price on the grant date discounted for future expected dividends.

### Performance share award activities

| | **2015** | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | Number of performance share awards in million | Weighted-average grant-date fair value in CHF | Number of performance share awards in million | Weighted-average grant-date fair value in CHF | Number of performance share awards in million | Weighted-average grant-date fair value in CHF |
| **Performance share awards** | | | | | | |
| **Balance at beginning of period** | **48.2** | **26.89** | **41.4** | **25.51** | **23.3** | **23.90** |
| Granted | 32.5 [1] | 16.11 | 24.3 | 28.13 | 26.6 | 26.44 |
| Settled | (23.4) | 26.24 | (16.0) | 25.27 | (7.6) | 23.90 |
| Forfeited | (1.4) | 21.75 | (1.5) | 26.28 | (0.9) | 24.92 |
| **Balance at end of period** | **55.9** | **21.01** | **48.2** | **26.89** | **41.4** | **25.51** |
| of which vested | 3.3 | – | 3.3 | – | 2.7 | – |
| of which unvested | 52.6 | – | 44.9 | – | 38.7 | – |

[1] Includes an adjustment for performance share awards granted in the fourth quarter of 2015 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on November 19, 2015. The number of deferred share-based awards held by each individual was increased by 2.89%. The terms and conditions of the adjusted performance shares were the same as the existing share-based awards thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional performance shares granted.

### Contingent Capital Awards

CCA were granted in January 2016, 2015 and 2014 as part of 2015, 2014 and 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of 4.23%, 4.85% and 4.75% per annum over the six-month Swiss franc London Interbank Offered Rate (LIBOR) or 5.41%, 5.75% and 5.33% per annum over the six-month US dollar LIBOR, for Swiss franc and US-denominated awards for 2016, 2015 and 2014, respectively, until settled. The rate was set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that the Group has issued. For CCA granted in January 2016, employees who received compensation in Swiss francs received CCA denominated in Swiss francs and all other employees received CCA denominated in US dollars.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from the grant date. However, because CCA qualify as going-concern loss-absorbing capital of the Group, the timing and form of distribution upon settlement is subject to approval by the Swiss Financial Market Supervisory Authority FINMA (FINMA). At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by the Group. In the case of a cash settlement, the CCA award currency denomination will be converted into the local currency of each respective employee. The Group intends to grant CCA as one of its annual deferred variable compensation awards in future years.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero if any of the following trigger events were to occur:

- the Group's reported common equity tier 1 (CET1) ratio falls below 7%; or
- FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that the Group requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

On January 19, 2016, the Group awarded CHF 226 million of CCA that will be expensed over the three-year period from the grant date. CCA were awarded as deferred variable compensation to managing directors and directors. The estimated unrecognized compensation expense of CHF 259 million was determined based on the fair value of the award on the grant date and includes the current estimated outcome of the relevant performance criteria, the estimated future forfeitures and the expected semi-annual cash payments of interest and will be recognized over the three-year vesting period.

### CCA granted in January for previous years

| For compensation year | **2015** | 2014 | 2013 |
|---|---|---|---|
| **CCA granted in January** | | | |
| CCA awarded (CHF million) | 226 | 360 | 391 |

### Plus Bond awards

Managing directors and directors in the former Investment Banking division received a portion of 2012 deferred variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of LIBOR plus 7.875% per annum until settlement. The Plus Bond will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by the Group of USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities (ABS) that are held in inventory by various trading desks. While the Plus Bond award is a cash-based instrument, the Group reserves the right to settle the award in Group shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, the Group retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes in capital treatment, exchange the award into Group shares. The Plus Bond award plan contributes to a reduction of the Group's risk-weighted assets and constitutes a risk transfer from the Group to the Plus Bond award holders.

Managing directors and directors outside of the former Investment Banking division were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component of their deferred awards into the Plus Bond award. The Plus Bond awards resulting from the voluntary reallocation offer had a notional value of CHF 38 million, vested on the third anniversary of the grant date on January 17, 2016 and were expensed over the vesting period.

### Restricted Cash Awards

Managing directors and directors in the former Investment Banking division received the cash component of their 2012 variable compensation in the form of Restricted Cash Awards. These awards are cash payments made on the grant date, but are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the award grant. The Restricted Cash Award is reported as part of the deferred compensation award for the Group even though

the award is fully settled at grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

On January 17, 2013, the Group granted Restricted Cash Awards with a total value of CHF 299 million.

### 2011 Partner Asset Facility

As part of the 2011 annual compensation process, the Group awarded a portion of deferred variable compensation for senior employees in the form of 2011 Partner Asset Facility (PAF2) units. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in the Group's derivative activities, including both current and possible future swaps and other derivative transactions. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a pre-defined threshold. The Group will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded. As a result, the PAF2 plan is a transfer of risk from the Group to employees.

Employees at the managing director and director levels, including certain members of the Executive Board, received PAF2 awards. The PAF2 awards vested in the first quarter of 2012.

PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief would no longer be available. As a result, the Group restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to one of the following options, or a combination thereof: i) Capital Opportunity Facility (COF): participants elect for their award to be referenced to a COF. The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by a COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. Participants who elect the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and ii) CCA: participants elect to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates. Settlement is expected to occur in the first half of 2016, subject to regulatory approvals.

In March 2014, 5,084 employees converted their PAF2 holdings of CHF 684 million into CCA (CHF 516 million) and COF (CHF 168 million).

### Adjustable Performance Plan awards

The Adjustable Performance Plan is a deferred compensation plan for the Executive Board, managing directors and directors. The Group introduced and granted Adjustable Performance Plan cash awards as part of deferred compensation for 2009 (2009 Adjustable Performance Plan) and 2010 (2010 Adjustable Performance Plan).

The 2009 Adjustable Performance Plan cash awards were fully vested and expensed as of December 31, 2012 and were delivered in the first half of 2013.

The 2010 Adjustable Performance Plan cash awards vested over a four-year period, with the final payout value subject to an upward or downward adjustment, depending on the financial performance of the specific business areas and the Group ROE. The adjustments were determined on an annual basis, increasing or decreasing the outstanding balances by a percentage equal to the reported ROE, unless the division that granted the awards incurred a pre-tax loss. In this case, outstanding awards in that division were subject to a negative adjustment of 15% for every CHF 1 billion of loss, unless a negative ROE applied for that year and was greater than the divisional adjustment. For employees in corporate functions, as well as for all Executive Board members, all outstanding 2010 Adjustable Performance Plan cash awards were linked to the Group's adjusted profit or loss and the Group ROE, but were not dependent upon the adjusted profit or loss of the business areas that they supported.

In July 2012, the Group executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards. Each Adjustable Performance Plan share award contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original Adjustable Performance Plan cash award.

### Adjustable Performance Plan share award activities

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| | Number of APP share awards in million | Number of APP share awards in million | Number of APP share awards in million |
| **Adjustable Performance Plan share awards** | | | |
| **Balance at beginning of period** | **7.3** | **14.5** | **30.8** |
| Granted [1] | 0.3 | 0.8 | 1.2 |
| Settled | (7.6) | (7.6) | (17.2) |
| Forfeited | 0.0 | (0.4) | (0.3) |
| **Balance at end of period** | **0.0** | **7.3** | **14.5** |
| of which vested | 0.0 | 1.1 | 1.2 |
| of which unvested | 0.0 | 6.2 | 13.3 |

[1] Represents additional units earned in the first quarter of 2015, 2014 and 2013 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

### Incentive Share Unit

Incentive Share Units (ISU) were the main form of share-based deferred compensation for all employees from 2006 to 2009. For 2009, ISUs were used for the deferred compensation awards granted to employees up to and including vice presidents. An ISU is similar to a share, but offers additional upside depending on the development of the Group share price, compared to predefined targets set on the grant date. For each ISU granted, the employee will receive at least one Group share (ISU base unit) over a three-year vesting period and could receive additional shares (ISU leverage unit) at the end of the three-year vesting period.

In 2013, the ISU leverage units granted for 2009 were settled but did not have a value at settlement as the Group share price performance was below the minimum predefined target of CHF 53.71.

### Incentive Share Unit activities

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| **ISU awards (million)** | | | |
| **Balance at beginning of period** | **0.6** | **1.2** | **3.6** |
| Settled | (0.2) | (0.1) | (1.8) |
| Forfeited | (0.2) | (0.5) | (0.6) |
| **Balance at end of period** | **0.2** | **0.6** | **1.2** |
| of which vested | 0.1 | 0.1 | 0.1 |
| of which unvested | 0.1 | 0.5 | 1.1 |

### 2008 Partner Asset Facility

As part of the 2008 annual compensation process, the Group granted employees in the former Investment Banking division with the corporate title of managing director or director the majority of the deferred compensation in the form of 2008 Partner Asset Facility (PAF) awards, denominated in US dollars. The PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in the former Investment Banking division.

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on December 31, 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the Group's risk-weighted assets, resulting in a reduction in capital usage.

The PAF awards, which have a contractual term of eight years, are fully vested. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the grant date, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool.

### Other cash awards

Other cash awards consist of voluntary deferred compensation plans, systematic market making plans and employee investment plans. The compensation expense related to these awards was primarily driven by mark to market and performance adjustments, as the majority of the awards are fully vested.

### Delivered shares

In the first half of 2013, share obligations were covered mainly through the issuances of shares from conditional capital. In the second half of 2013, the Group resumed purchasing shares in the market to cover a portion of its share delivery obligations. In 2014, the majority of the Group's share delivery obligations was covered through market purchases and in 2015, the Group delivered all of its shares through market purchases. The Group intends to continue to cover its future share delivery obligations through market purchases.

## 30 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if another party controls both. The Group's related parties include key management personnel, close family members of key management personnel and entities that are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members. Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Group, that is, members of the Executive Board and the Board of Directors.

### Banking relationships

The Group is a global financial services provider. Many of the members of the Executive Board and the Board of Directors or companies associated with them maintain banking relationships with the Group. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Executive Board or the Board of Directors have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Executive Board or the Board of Directors and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Executive Board, members of the Board of Directors or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2015, 2014 and 2013, there were no loan exposures to such related parties that were not made in the ordinary course of business and at prevailing market conditions.

### Related party loans

#### Executive Board and Board of Directors loans

The majority of loans outstanding to members of the Executive Board and the Board of Directors are mortgages or loans against securities.

All mortgage loans to members of the Executive Board are granted either with variable or fixed interest rates over a certain period. Typically, mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin, and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. The same credit approval and risk assessment procedures apply to members of the Executive Board as for other employees. Unless otherwise noted, all loans to members of the Executive Board were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees. These loans did not involve more than the normal risk of collectability or present other unfavorable features. The highest loan outstanding to an Executive Board member was CHF 8 million to Thomas Gottstein as of December 31, 2015.

Members of the Board of Directors with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Members of the Board of Directors who were previously employees of the Group may still have outstanding loans that were provided at the time that employee conditions applied to them. Unless otherwise noted, all loans to members of the Board of Directors are made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans do not involve more than the normal risk of collectability or present other unfavorable features.

### Executive Board and Board of Directors loans

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Loans to members of the Executive Board (CHF million)** | | | |
| **Balance at beginning of period** | **5** [1] | **10** | **8** |
| Additions | 21 | 3 | 4 |
| Reductions | 0 | (8) | (2) |
| **Balance at end of period** | **26** [1] | **5** | **10** |
| **Loans to members of the Board of Directors (CHF million)** | | | |
| **Balance at beginning of period** | **16** [2] | **55** | **41** |
| Additions | 1 | 6 | 16 |
| Reductions | (9) | (45) | (2) |
| **Balance at end of period** | **8** [2] | **16** | **55** |

[1] The number of individuals with outstanding loans at the beginning and the end of the year was three and seven, respectively.

[2] The number of individuals with outstanding loans at the beginning and the end of the year was three.

### Equity method investees loans

The Group or its subsidiaries grant loans to equity method investees in the normal course of business.

▸ Refer to "Note 40 – Significant subsidiaries and equity method investments" in V – Consolidated financial statements – Credit Suisse Group for a list of equity method investments.

### Loans made by the Group or any subsidiaries to equity method investees

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Loans to equity method investees (CHF million)** | | | |
| **Balance at beginning of period** | **13** | **10** | **12** |
| Net borrowings/(repayments) | 122 | 3 | (2) |
| **Balance at end of period** | **135** | **13** | **10** |

### Other related party transactions

#### Tier 1 capital instruments

Beginning in February 2011, the Group entered into agreements with entities affiliated with Qatar Investment Authority (QIA) and The Olayan Group, each of which has significant holdings of Group shares and other Group financial products. The agreements were amended in 2012 and 2013 and, as a result, QIA and The Olayan Group agreed to purchase new tier 1 high-trigger capital instruments (new Tier 1 Capital Notes) in exchange for their holdings of previously issued notes.

The following new Tier 1 Capital Notes were outstanding as of December 31, 2015:

- USD 1.725 billion 9.5%, held by an affiliate of The Olayan Group;
- USD 1.72 billion 9.5%, held by an affiliate of QIA; and
- CHF 2.5 billion 9.0%, held by an affiliate of QIA.

Under their terms, the new Tier 1 Capital Notes will be converted into Group ordinary shares if the Group's reported CET1 ratio, as determined under Basel Committee on Banking Supervision (BCBS) regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless FINMA, at the Group's request, has agreed on or prior to the publication of the Group's quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The new Tier 1 Capital Notes will also be converted if FINMA determines that conversion is necessary, or that the Group requires public sector capital support, to prevent the Group from becoming insolvent, bankrupt or unable to pay a material amount of the Group's debts, or other similar circumstances. In addition, conversion of the new Tier 1 Capital Notes issued to the entities affiliated with The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, the Group's reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of the Group's ordinary shares over a five-day period preceding the notice of conversion. The new Tier 1 Capital Notes are deeply subordinated, perpetual and callable by the Group no earlier than 2018 and in certain other circumstances with FINMA approval. Interest, which is payable on the USD 1.725 billion and the USD 1.72 billion new Tier 1 Capital Notes at a fixed rate of 9.5% and on the CHF 2.5 billion new Tier 1 Capital Notes at a fixed rate of 9.0%, will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of the Group's current Board of Directors member Jassim Bin Hamad J.J. Al Thani and the Group's then Board of Directors member Aziz R.D. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board of Directors (except for Mr. Bin Hamad J.J. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent capital instrument, for which there was no established market, and the terms of the notes issued and held by QIA and The Olayan Group, were fair. As of April 26, 2013, Mr. Syriani retired from the Board and no other person affiliated with The Olayan Group has been elected as a member of the Board of Directors.

### Liabilities due to own pension funds

Liabilities due to the Group's own defined benefit pension funds as of December 31, 2015 and 2014 of CHF 1,580 million and CHF 3,131 million, respectively, were reflected in various liability accounts in the Group's consolidated balance sheets. Certain unconsolidated SPEs wholly owned by the Group had liabilities to the pension funds of the Group with notional values of CHF 80 million as of December 31, 2015 and 2014.

## 31 Pension and other post-retirement benefits

The Group sponsors defined contribution pension plans, defined benefit pension plans and other post-retirement defined benefit plans such as post-retirement health care.

### DEFINED CONTRIBUTION PENSION PLANS

Defined contribution plans provide each participant with an individual account. The benefits to be provided to a participant are solely based on the contributions made to that employee's account and are affected by income, expenses and gains and losses allocated to the account. As such, there are no stipulations of a defined annuity benefit at retirement and the participants bear the full actuarial as well as investment risk.

The Group contributes to various defined contribution pension plans primarily in the US and the UK as well as other countries throughout the world. During 2015, 2014 and 2013, the Group contributed to these plans and recognized as expense CHF 157 million, CHF 182 million and CHF 179 million, respectively.

### DEFINED BENEFIT PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

#### Defined benefit pension plans

Defined benefit pension plans are pension plans that define specific benefits for an employee upon that employee's retirement. These benefits are usually determined by taking into account the employee's salary, years of service and age of retirement. Retirees bear neither the actuarial risk (for example, the risk that the retirees of the plan live longer than expected), nor the investment risk (that is, that plan assets invested and associated returns will be insufficient to meet the expected benefits due to low or negative returns on contributions). The Group's funding policy for these plans is in accordance with local laws and tax requirements.

##### Swiss pension plan

The Group's most significant defined benefit pension plan is located and covers its employees in Switzerland and is set up as a trust domiciled in Zurich. The plan provides benefits in the event of retirement, death and disability and meets or exceeds the minimum benefits required under Swiss law. Historically, this plan provided traditional defined benefit pensions under the annuity section. In 2010, a new savings section was introduced and as of January 1, 2013, all active employees were transferred to the savings section and the annuity section has ceased accruing new benefits. In the savings section, the benefits are determined on the basis of the accumulated employer and employee contributions and accumulated interest credited. Although the plan is largely defined contribution in nature, it is treated as a defined benefit plan under US GAAP, mainly due to a guaranteed minimum return on contributions and guaranteed payment of lifetime pensions. As of December 31, 2015 and 2014, the Group's pension plan in Switzerland comprised 75% and 77%, respectively, of all the Group's employees participating in defined benefit plans, 81% and 80%, respectively, of the fair value of plan assets, and 82% and 81%, respectively, of the pension benefit obligation of the Group's defined benefit plans.

Employee contributions in the savings section depend on their age and are determined as a percentage of the pensionable salary. The employees can select between three different levels of contributions which vary between 5% and 14% depending on their age. The Group's contribution varies between 7.5% and 25% of the pensionable salary depending on the employee's age.

##### International pension plans

Various defined benefit pension plans cover the Group's employees outside Switzerland. These plans provide benefits in the event of retirement, death, disability or termination of employment. Retirement benefits under the plans depend on age, contributions and salary. The Group's principal defined benefit pension plans outside Switzerland are located in the US and in the UK. Both plans are funded, closed to new participants and have ceased accruing new benefits. Smaller defined benefit pension plans, both funded and unfunded, are operated in other locations.

#### Other post-retirement defined benefit plans

In the US, the Group's defined benefit plans provide post-retirement benefits other than pension benefits that primarily focus on health and welfare benefits for certain retired employees. In exchange for the current services provided by the employee, the Group promises to provide health and welfare benefits after the employee retires. The Group's obligation for that compensation is incurred as employees render the services necessary to earn their post-retirement benefits.

#### Benefit costs of defined benefit plans

The net periodic benefit costs for defined benefit pension and other post-retirement defined benefit plans are the costs of the respective plan for a period during which an employee renders services. The actual amount to be recognized is determined using the standard actuarial methodology which considers, among other factors, current service cost, interest cost, expected return on plan assets and the amortization of both prior service cost/(credit) and actuarial losses/(gains) recognized in AOCI.

### Components of total benefit costs

| | Defined benefit pension plans | | | | | | Other post-retirement defined benefit plans | | |
|---|---|---|---|---|---|---|---|---|---|
| | Switzerland | | | International | | | International | | |
| in | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 |
| **Total benefit costs (CHF million)** | | | | | | | | | |
| Service costs on benefit obligation | 298 | 253 | 347 | 21 | 19 | 24 | 0 | 0 | 0 |
| Interest costs on benefit obligation | 189 | 338 | 304 | 129 | 134 | 122 | 7 | 7 | 8 |
| Expected return on plan assets | (592) | (547) | (575) | (195) | (178) | (161) | 0 | 0 | 0 |
| Amortization of recognized prior service cost/(credit) | (85) | (88) | (92) | 0 | 0 | 0 | (23) | (9) | 0 |
| Amortization of recognized actuarial losses/(gains) | 351 | 137 | 258 | 84 | 52 | 79 | 14 | 9 | 13 |
| **Net periodic benefit costs/(credits)** | **161** | **93** | **242** | **39** | **27** | **64** | **(2)** | **7** | **21** |
| Settlement losses/(gains) | 24 | 44 | 40 | (1) | (2) | 0 | 0 | 0 | 0 |
| Curtailment losses/(gains) | (2) | (9) | (28) | 0 | 0 | 0 | 0 | 0 | 0 |
| Special termination benefits | 9 | 17 | 19 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total benefit costs/(credits)** | **192** | **145** | **273** | **38** | **25** | **64** | **(2)** | **7** | **21** |

Total benefit costs reflected in compensation and benefits – other for 2015, 2014 and 2013 were CHF 228 million, CHF 177 million and CHF 358 million, respectively.

Since the second quarter of 2011, as part of its strategic plan, the Group has launched a number of cost efficiency measures including headcount reduction. This resulted in curtailment gains of CHF 2 million, CHF 9 million and CHF 28 million in 2015, 2014 and 2013, respectively, reflecting the immediate recognition of a credit relating to the years of service no longer expected to be rendered. Additional costs of CHF 24 million, CHF 44 million and CHF 40 million in 2015, 2014 and 2013, respectively, related to the settlement of the pension obligation for employees in Switzerland whose employment has effectively been terminated or who have left the Group due to a sale of their business. Special termination benefit costs of CHF 9 million, CHF 17 million and CHF 19 million have been recognized in 2015, 2014 and 2013, respectively, relating to early retirements in Switzerland in the context of the cost efficiency measures.

#### Benefit obligation

The benefit obligation is expressed as either accumulated benefit obligation (ABO) or PBO. While the ABO refers to the actuarial present value based on employee services rendered prior to that date and takes into account current and past compensation levels, the PBO also applies an assumption as to future compensation levels.

The table “Obligations and funded status of the plans” shows the changes in the PBO, the fair value of plan assets and the amounts recognized in the consolidated balance sheets for the defined benefit pension and other post-retirement defined benefit plans as well as the ABO for the defined benefit pension plans.

US GAAP requires an employer to recognize the funded status of the defined benefit pension and other post-retirement defined benefit plans on the balance sheet. The funded status of these plans is determined as the difference between the fair value of plan assets and the PBO. The funded status may vary from year to year due to changes in the fair value of plan assets and variations of the PBO following changes in the underlying assumptions and census data used to determine the PBO. In 2015 and 2014, the curtailments, settlements and special termination benefits in Switzerland, which impacted the PBO, related to the headcount reduction in the context of the cost efficiency measures. In 2015, the Board of Trustees of the Swiss pension plan changed a number of retirement benefits, reflecting the pension plan’s ability to finance benefits on an ongoing long-term basis. These changes reflect the prospective higher costs of providing retirement benefits due to lower expected asset returns, lower interest rates and increased life expectancy. These considerations have resulted in incremental reductions of conversion rates, the introduction of the reference age 65 for all insured persons, changes to the bridging pension related to the Swiss Old-Age and Survivors Insurance, enhanced lump-sum withdrawal options on retirement and the reduction of the maximum retirement pension. Furthermore, the Board of Trustees also agreed to improve death and disability benefits and to introduce a cohabiting partner’s pension. These changes resulted in a CHF 302 million reduction in the projected benefit obligation for the Swiss pension plan in December 2015. Due to a plan amendment in the US post-retirement medical plan, the PBO of this plan decreased CHF 32 million in 2014. Under the amended plan, the Group will no longer pay for future medical claims for covered retirees older than 65 years and will instead provide a flat subsidy to these retirees to purchase their own medical insurance.

The total net amount recognized in the consolidated balance sheets as of December 31, 2015 and 2014 was a net underfunding of CHF 320 million and a net overfunding of CHF 133 million, respectively.

In 2016, the Group expects to contribute CHF 396 million to the Swiss and international defined benefit pension plans and CHF 11 million to other post-retirement defined benefit plans.

## Obligations and funded status of the plans

| | Defined benefit pension plans | | | | Other post-retirement defined benefit plans | |
|---|---|---|---|---|---|---|
| | Switzerland | | International | | International | |
| in / end of | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| **PBO (CHF million) [1]** | | | | | | |
| **Beginning of the measurement period** | **15,661** | **13,473** | **3,539** | **2,843** | **178** | **168** |
| Plan participant contributions | 198 | 200 | 0 | 0 | 0 | 0 |
| Service cost | 298 | 253 | 21 | 19 | 0 | 0 |
| Interest cost | 189 | 338 | 129 | 134 | 7 | 7 |
| Plan amendments | (302) | 0 | 0 | 0 | 0 | (32) |
| Settlements | (77) | (169) | 0 | (4) | 0 | 0 |
| Curtailments | (9) | (16) | 0 | 0 | 0 | 0 |
| Special termination benefits | 9 | 17 | 2 | 1 | 0 | 0 |
| Actuarial losses/(gains) | 818 | 2,280 | (97) | 463 | 4 | 25 |
| Benefit payments | (697) | (715) | (113) | (109) | (10) | (8) |
| Exchange rate losses/(gains) | 0 | 0 | (115) | 192 | 1 | 18 |
| **End of the measurement period** | **16,088** | **15,661** | **3,366** | **3,539** | **180** | **178** |
| **Fair value of plan assets (CHF million)** | | | | | | |
| **Beginning of the measurement period** | **15,635** | **14,912** | **3,876** | **3,007** | **0** | **0** |
| Actual return on plan assets | 134 | 970 | 62 | 637 | 0 | 0 |
| Employer contributions | 409 | 437 | 19 | 135 | 10 | 8 |
| Plan participant contributions | 198 | 200 | 0 | 0 | 0 | 0 |
| Settlements | (77) | (169) | 0 | (2) | 0 | 0 |
| Benefit payments | (697) | (715) | (113) | (109) | (10) | (8) |
| Exchange rate gains/(losses) | 0 | 0 | (132) | 208 | 0 | 0 |
| **End of the measurement period** | **15,602** | **15,635** | **3,712** | **3,876** | **0** | **0** |
| **Funded status recognized (CHF million)** | | | | | | |
| Funded status of the plan – overfunded/(underfunded) | (486) | (26) | 346 | 337 | (180) | (178) |
| **Funded status recognized in the consolidated balance sheet as of December 31** | **(486)** | **(26)** | **346** | **337** | **(180)** | **(178)** |
| **Total amount recognized (CHF million)** | | | | | | |
| Noncurrent assets | 0 | 0 | 825 | 822 | 0 | 0 |
| Current liabilities | 0 | 0 | (9) | (8) | (11) | (10) |
| Noncurrent liabilities | (486) | (26) | (470) | (477) | (169) | (168) |
| **Total amount recognized in the consolidated balance sheet as of December 31** | **(486)** | **(26)** | **346** | **337** | **(180)** | **(178)** |
| **ABO (CHF million) [2]** | | | | | | |
| **End of the measurement period** | **15,160** | **15,110** | **3,315** | **3,469** | **180** | **178** |

[1] Including estimated future salary increases.
[2] Excluding estimated future salary increases.

### PBO or ABO in excess of plan assets

The following table shows the aggregate PBO and ABO, as well as the aggregate fair value of plan assets for those plans with PBO in excess of plan assets and those plans with ABO in excess of plan assets as of December 31, 2015 and 2014, respectively.

**Defined benefit pension plans in which PBO or ABO exceeded plan assets**

| | PBO exceeds fair value of plan assets [1] | | | | ABO exceeds fair value of plan assets [1] | | | |
|---|---|---|---|---|---|---|---|---|
| | Switzerland | | International | | Switzerland | | International | |
| December 31 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| **CHF million** | | | | | | | | |
| PBO | 16,088 | 15,661 | 1,630 | 1,671 | 0 | 0 | 1,613 | 1,655 |
| ABO | 15,160 | 15,110 | 1,600 | 1,637 | 0 | 0 | 1,589 | 1,627 |
| Fair value of plan assets | 15,602 | 15,635 | 1,152 | 1,187 | 0 | 0 | 1,137 | 1,173 |

[1] Includes only those defined benefit pension plans where the PBO/ABO exceeded the fair value of plan assets.

### Amount recognized in AOCI and other comprehensive income

The following table shows the actuarial gains/(losses) and prior service credit/(cost) which were recorded in AOCI and subsequently recognized as components of net periodic benefit costs.

**Amounts recognized in AOCI, net of tax**

| | Defined benefit pension plans | | Other post-retirement defined benefit plans | | **Total** | |
|---|---|---|---|---|---|---|
| end of | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| **Amounts recognized in AOCI (CHF million)** | | | | | | |
| Actuarial gains/(losses) | (4,629) | (3,960) | (43) | (50) | (4,672) | (4,010) |
| Prior service credit/(cost) | 604 | 435 | 3 | 17 | 607 | 452 |
| **Total** | **(4,025)** | **(3,525)** | **(40)** | **(33)** | **(4,065)** | **(3,558)** |

The following tables show the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2015 and 2014, and the amortization of the aforementioned items as components of net periodic benefit costs for these periods, as well as the amounts expected to be amortized in 2016.

### Amounts recognized in other comprehensive income

| | Defined benefit pension plans | | | Other post-retirement defined benefit plans | | | |
|---|---|---|---|---|---|---|---|
| in | Gross | Tax | Net | Gross | Tax | Net | **Total net** |
| **2015 (CHF million)** | | | | | | | |
| Actuarial gains/(losses) | (1,312) | 276 | (1,036) | (4) | 2 | (2) | (1,038) |
| Prior service credit/(cost) | 302 | (64) | 238 | 0 | 0 | 0 | 238 |
| Amortization of actuarial losses/(gains) | 435 | (93) | 342 | 14 | (5) | 9 | 351 |
| Amortization of prior service cost/(credit) | (85) | 18 | (67) | (23) | 9 | (14) | (81) |
| Immediate recognition due to curtailment/settlement | 30 | (6) | 24 | 0 | 0 | 0 | 24 |
| **Total** | **(630)** | **131** | **(499)** | **(13)** | **6** | **(7)** | **(506)** |
| **2014 (CHF million)** | | | | | | | |
| Actuarial gains/(losses) | (1,861) | 424 | (1,437) | (25) | 9 | (16) | (1,453) |
| Prior service credit/(cost) | 0 | 0 | 0 | 32 | (12) | 20 | 20 |
| Amortization of actuarial losses/(gains) | 189 | (43) | 146 | 9 | (3) | 6 | 152 |
| Amortization of prior service cost/(credit) | (88) | 18 | (70) | (9) | 3 | (6) | (76) |
| Immediate recognition due to curtailment/settlement | 51 | (10) | 41 | 0 | 0 | 0 | 41 |
| **Total** | **(1,709)** | **389** | **(1,320)** | **7** | **(3)** | **4** | **(1,316)** |

### Amounts in AOCI, net of tax, expected to be amortized in 2016

| **in 2016** | Defined benefit pension plans | Other post-retirement defined benefit plans |
|---|---|---|
| **CHF million** | | |
| Amortization of actuarial losses/(gains) | 322 | 6 |
| Amortization of prior service cost/(credit) | (91) | 0 |
| **Total** | **231** | **6** |

### Assumptions

The measurement of both the net periodic benefit costs and the benefit obligation is determined using explicit assumptions, each of which individually represents the best estimate of a particular future event. Where applicable, they are in line with the expected market averages and benchmarks, the expected trend in the market and historical rates, particularly plan experience.

### Weighted-average assumptions used to determine net periodic benefit costs and benefit obligation

| | Defined benefit pension plans | | | | | | Other post-retirement defined benefit plans | | |
|---|---|---|---|---|---|---|---|---|---|
| | Switzerland | | | International | | | International | | |
| December 31 | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 |
| **Net periodic benefit cost (%)** | | | | | | | | | |
| Discount rate | 1.25 | 2.60 | 2.20 | 3.82 | 4.71 | 4.47 | 4.20 | 5.10 | 4.30 |
| Salary increases | 1.00 | 1.20 | 1.20 | 4.19 | 4.31 | 4.02 | – | – | – |
| Expected long-term rate of return on plan assets | 4.00 | 3.75 | 4.00 | 6.00 | 6.16 | 6.18 | – | – | – |
| **Benefit obligation (%)** | | | | | | | | | |
| Discount rate | 0.90 | 1.25 | 2.60 | 4.05 | 3.82 | 4.71 | 4.50 | 4.20 | 5.10 |
| Salary increases | 1.00 | 1.00 | 1.20 | 3.56 | 4.19 | 4.31 | – | – | – |

### Net periodic benefit cost and benefit obligation assumptions

The assumptions used to determine the benefit obligation as of the measurement date are also used to calculate the net periodic benefit costs for the 12-month period following this date. The discount rate is one of the factors used to determine the present value as of the measurement date of the future cash outflows currently expected to be required to satisfy the benefit obligations when due.

The assumption pertaining to salary increases is used to calculate the PBO, which is measured using an assumption as to future compensation levels.

The expected long-term rate of return on plan assets, which is used to calculate the expected return on plan assets as a component of the net periodic benefit costs, reflects the average rate of returns expected on the funds invested or to be invested to provide for the benefits included in the PBO. In estimating that rate, appropriate consideration is given to the returns being earned by the plan assets and the rates of return expected to be available for reinvestment.

The expected long-term rate of return on plan assets is based on total return forecasts, expected volatility and correlation estimates, reflecting interrelationships between and within asset classes held. Where possible, similar, if not related, approaches are followed to forecast returns for the various asset classes.

The expected long-term rate of return on debt securities reflects both accruing interest and price returns. The probable long-term relationship between the total return and certain exogenous variables is used, which links the total return forecasts on debt securities to forecasts of the macroeconomic environment.

The expected long-term rate of return on equity securities is based on a two-stage dividend discount model which considers economic and market forecasts to compute a market-implied equity risk premium. Dividends are estimated using market consensus earnings and the historical payout ratio. A subsequent scenario analysis is used to stress test the level of the return.

The expected long-term rate of return on real estate is based on economic models that reflect both the rental and the capital market side of the direct real estate market. This allows for a replicable and robust forecasting methodology for expected returns on real estate equity, fund and direct market indices.

The expected long-term rate of return on private equity and hedge funds is estimated by determining the key factors in their historical performance using private equity and hedge fund benchmarks and indices. To capture these factors, multiple linear regression models with lagged returns are used.

### Health care cost assumptions

The health care cost trend is used to determine the appropriate other post-retirement defined benefit costs. In determining those costs, an annual weighted-average rate is assumed in the cost of covered health care benefits.

The following table provides an overview of the assumed health care cost trend rates and the sensitivity of a one percentage point increase or decrease of the rate.

**Health care cost trend rates and sensitivity**

| in / end of | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Health care cost trend rate (%)** | | | |
| Annual weighted-average health care cost trend rate [1] | 8.00 | 8.00 | 8.00 |
| **Increase/(decrease) in post-retirement expenses (CHF million)** | | | |
| One percentage point increase in health care cost trend rates | 0.2 | 0.2 | 1.3 |
| One percentage point decrease in health care cost trend rates | (0.2) | (0.3) | (1.0) |
| **Increase/(decrease) in post-retirement benefit obligation (CHF million)** | | | |
| One percentage point increase in health care cost trend rates | 4 | 5 | 23 |
| One percentage point decrease in health care cost trend rates | (4) | (4) | (19) |

[1] The annual health care cost trend rate is assumed to decrease gradually to achieve the long-term health care cost trend rate of 5% by 2022.

The annual health care cost trend rate used to determine the defined benefit cost for 2016 is 8.30%.

### Plan assets and investment strategy

Plan assets, which are assets that have been segregated and restricted to provide for plan benefits, are measured at their fair value as of the measurement date.

The Group's defined benefit pension plans employ a total return investment approach, whereby a diversified mix of debt and equity securities and alternative investments, specifically hedge funds and private equity, are used to maximize the long-term return of plan assets while incurring a prudent level of risk. The intent of this strategy is to meet or outperform plan liabilities over the long term. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Furthermore, equity securities are diversified across different geographic regions as well as across growth, value and small and large capitalization stocks. Real estate and alternative investments, such as private equity and hedge funds, are used to enhance long-term returns while improving portfolio diversification. Derivatives may be used to hedge or increase market exposure, but are not used to leverage the portfolio beyond the market

value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Group pension plans follow defined strategic asset allocation guidelines. At times of major market uncertainties and stress, these guidelines may be further restricted.

As of December 31, 2015 and 2014, the total fair value of Group debt securities included in plan assets of the Group's defined benefit pension plans was CHF 83 million and CHF 134 million, respectively, and the total fair value of Group equity securities and options was CHF 131 million and CHF 131 million, respectively.

### Fair value hierarchy of plan assets

▸ Refer to "Fair value measurement" in Note 35 – Financial instruments for discussion of the fair value hierarchy.

### Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2015 and 2014, for the Group's defined benefit pension plans.

### Plan assets measured at fair value on a recurring basis

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | **Total** | Level 1 | Level 2 | Level 3 | **Total** |
| **Plan assets at fair value (CHF million)** | | | | | | | | |
| Cash and cash equivalents | 982 | 171 | 0 | 1,153 | 2,983 | 0 | 0 | 2,983 |
| Debt securities | 725 | 3,399 | 2 | 4,126 | 421 | 2,939 | 0 | 3,360 |
| of which governments | 3 | 11 | 0 | 14 | 338 | 0 | 0 | 338 |
| of which corporates | 722 | 3,388 | 2 | 4,112 | 83 | 2,939 | 0 | 3,022 |
| Equity securities | 1,351 | 4,246 | 0 | 5,597 | 2,545 | 2,222 | 0 | 4,767 |
| Real estate | 0 | 647 | 1,156 | 1,803 | 0 | 534 | 1,146 | 1,680 |
| of which direct | 0 | 0 | 1,156 | 1,156 | 0 | 0 | 1,146 | 1,146 |
| of which indirect | 0 | 647 | 0 | 647 | 0 | 534 | 0 | 534 |
| Alternative investments | 255 | 0 | 2,668 | 2,923 | 508 | 87 | 2,250 | 2,845 |
| of which private equity | 0 | 0 | 739 | 739 | 0 | 0 | 692 | 692 |
| of which hedge funds | 0 | 0 | 1,135 | 1,135 | 0 | 0 | 953 | 953 |
| of which other | 255 | 0 | 794 | 1,049 | 508 | 87 | 605 | 1,200 |
| **Switzerland** | **3,313** | **8,463** | **3,826** | **15,602** | **6,457** | **5,782** | **3,396** | **15,635** |
| Cash and cash equivalents | 32 | 210 | 0 | 242 | 191 | 88 | 0 | 279 |
| Debt securities | 890 | 744 | 292 | 1,926 | 189 | 1,590 | 267 | 2,046 |
| of which governments | 368 | 7 | 0 | 375 | 8 | 562 | 0 | 570 |
| of which corporates | 522 | 737 | 292 | 1,551 | 181 | 1,028 | 267 | 1,476 |
| Equity securities | 339 | 520 | 77 | 936 | 216 | 666 | 0 | 882 |
| Real estate – indirect | 0 | 87 | 48 | 135 | 0 | 0 | 117 | 117 |
| Alternative investments | (15) | 308 | 79 | 372 | 0 | 386 | 58 | 444 |
| of which hedge funds | 0 | 78 | 79 | 157 | 0 | 111 | 58 | 169 |
| of which other | (15) [1] | 230 | 0 | 215 | 0 | 275 | 0 | 275 |
| Other investments | 0 | 101 | 0 | 101 | 0 | 108 | 0 | 108 |
| **International** | **1,246** | **1,970** | **496** | **3,712** | **596** | **2,838** | **442** | **3,876** |
| **Total plan assets at fair value** | **4,559** | **10,433** | **4,322** | **19,314** | **7,053** | **8,620** | **3,838** | **19,511** |

[1] Primarily related to derivative instruments.

### Plan assets measured at fair value on a recurring basis for level 3

| | Balance at beginning of period | Transfers in | Transfers out | Actual return on plan assets: On assets still held at reporting date | Actual return on plan assets: On assets sold during the period | Purchases, sales, settlements | Foreign currency translation impact | **Balance at end of period** |
|---|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | | |
| Debt securities – corporates | 267 | 2 | (12) | 2 | 0 | 35 | 0 | 294 |
| Equity securities | 0 | 77 | 0 | 0 | 0 | 0 | 0 | 77 |
| Real estate | 1,263 | 0 | (87) | 39 | 0 | (12) | 1 | 1,204 |
| of which direct | 1,146 | 0 | 0 | 26 | 0 | (16) | 0 | 1,156 |
| of which indirect | 117 | 0 | (87) | 13 | 0 | 4 | 1 | 48 |
| Alternative investments | 2,308 | 6 | 0 | 101 | (35) | 367 | 0 | 2,747 |
| of which private equity | 692 | 0 | 0 | 11 | (26) | 62 | 0 | 739 |
| of which hedge funds | 1,011 | 6 | 0 | 37 | 9 | 151 | 0 | 1,214 |
| of which other | 605 | 0 | 0 | 53 | (18) | 154 | 0 | 794 |
| **Total plan assets at fair value** | **3,838** | **85** | **(99)** | **142** | **(35)** | **390** | **1** | **4,322** |
| of which Switzerland | 3,396 | 2 | 0 | 126 | (34) | 336 | 0 | 3,826 |
| of which International | 442 | 83 | (99) | 16 | (1) | 54 | 1 | 496 |
| **2014 (CHF million)** | | | | | | | | |
| Debt securities – corporates | 177 | 2 | 0 | (13) | 17 | 65 | 19 | 267 |
| Real estate | 1,219 | 0 | (2) | 32 | 0 | 3 | 11 | 1,263 |
| of which direct | 1,123 | 0 | 0 | 23 | 0 | 0 | 0 | 1,146 |
| of which indirect | 96 | 0 | (2) | 9 | 0 | 3 | 11 | 117 |
| Alternative investments | 744 | 1,378 | (5) | 79 | (1) | 112 | 1 | 2,308 |
| of which private equity | 607 | 0 | (1) | 40 | 0 | 46 | 0 | 692 |
| of which hedge funds | 3 | 953 | 0 | (10) | (1) | 65 | 1 | 1,011 |
| of which other | 134 | 425 | (4) | 49 | 0 | 1 | 0 | 605 |
| **Total plan assets at fair value** | **2,140** | **1,380** | **(7)** | **98** | **16** | **180** | **31** | **3,838** |
| of which Switzerland | 1,862 | 1,378 | (2) | 111 | 0 | 47 | 0 | 3,396 |
| of which International | 278 | 2 | (5) | (13) | 16 | 133 | 31 | 442 |

### Qualitative disclosures of valuation techniques used to measure fair value

#### Cash and cash equivalents

Cash and cash equivalents includes money market instruments such as bankers' acceptances, certificates of deposit, CP, book claims, treasury bills, other rights and commingled funds. Valuations of money market instruments and commingled funds are generally based on observable inputs.

#### Debt securities

Debt securities include government and corporate bonds which are generally quoted in active markets. Debt securities for which market prices are not available, are valued based on yields reflecting the perceived risk of the issuer and the maturity of the security, recent disposals in the market or other modeling techniques, which may involve judgment.

#### Equity securities

Equity securities held include common equity shares, convertible bonds and shares in investment companies and units in mutual funds. The common equity shares are generally traded on public stock exchanges for which quoted prices are regularly available. Convertible bonds are generally valued using observable pricing sources. Shares in investment companies and units in mutual funds, which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured at fair value using NAV.

### Derivatives

Derivatives include both OTC and exchange-traded derivatives. The fair value of OTC derivatives is determined on the basis of inputs that include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity since the required inputs are generally observable in the marketplace. Other more complex derivatives may use unobservable inputs. Such inputs include long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions. The fair value of exchange-traded derivatives is typically derived from the observable exchange prices and/or observable inputs.

### Real estate

Real estate includes direct real estate as well as investments in real estate investment companies, trusts or mutual funds. Direct real estate is initially measured at its transaction price, which is the best estimate of fair value. Thereafter, direct real estate is individually measured at fair value based on a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. Real estate investment companies, trusts and mutual funds, which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured at fair value using NAV.

### Alternative investments

Private equity includes direct investments, investments in partnerships that make private equity and related investments in various portfolio companies and funds and fund of funds partnerships. Private equity consists of both publicly traded securities and private securities. Publicly traded investments that are restricted or that are not quoted in active markets are valued based on publicly available quotes with appropriate adjustments for liquidity or trading restrictions. Private equity is valued taking into account a number of factors, such as the most recent round of financing involving unrelated new investors, earnings multiple analyses using comparable companies or discounted cash flow analyses. Private equity for which a fair value is not readily determinable is measured at fair value using NAV provided by the general partner.

Hedge funds that are not directly quoted on a public stock exchange, and/or for which a fair value is not readily determinable, are measured at fair value using NAV provided by the fund administrator.

### Plan asset allocation

The following table shows the plan asset allocation as of the measurement date calculated based on the fair value at that date including the performance of each asset class.

### Weighted-average plan asset allocation

| | Switzerland | | International | |
|---|---|---|---|---|
| December 31 | **2015** | 2014 | **2015** | 2014 |
| **Weighted-average plan asset allocation (%)** | | | | |
| Cash and cash equivalents | 7.4 | 19.1 | 6.5 | 7.2 |
| Debt securities | 26.4 | 21.5 | 51.9 | 52.7 |
| Equity securities | 35.9 | 30.5 | 25.2 | 22.8 |
| Real estate | 11.6 | 10.7 | 3.6 | 3.0 |
| Alternative investments | 18.7 | 18.2 | 10.0 | 11.5 |
| Insurance | 0.0 | 0.0 | 2.8 | 2.8 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** |

The following table shows the target plan asset allocation for 2016 in accordance with the Group's investment strategy. The target plan asset allocation is used to determine the expected return on plan assets to be considered in the net periodic benefit costs for 2016.

### Weighted-average target plan asset allocation for 2016

| | Switzerland | International |
|---|---|---|
| **2016 (%)** | | |
| Cash and cash equivalents | 10.0 | 0.3 |
| Debt securities | 32.0 | 56.6 |
| Equity securities | 30.0 | 23.0 |
| Real estate | 10.0 | 4.2 |
| Alternative investments | 18.0 | 13.1 |
| Insurance | 0.0 | 2.8 |
| **Total** | **100.0** | **100.0** |

### Estimated future benefit payments for defined benefit plans

The following table shows the estimated future benefit payments for defined benefit pension and other post-retirement defined benefit plans.

### Estimated future benefit payments for defined benefit plans

| | Defined benefit pension plans | Other post-retirement defined benefit plans |
|---|---|---|
| **Estimated future benefit payments (CHF million)** | | |
| 2016 | 1,122 | 11 |
| 2017 | 943 | 12 |
| 2018 | 932 | 12 |
| 2019 | 927 | 13 |
| 2020 | 938 | 13 |
| For five years thereafter | 4,870 | 62 |

## 32 Derivatives and hedging activities

Derivatives are generally either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The Group's most frequently used freestanding derivative products, entered into for trading and risk management purposes, include interest rate, credit default and cross-currency swaps, interest rate and foreign exchange options, foreign exchange forward contracts and foreign exchange and interest rate futures.

The Group also enters into contracts that are not considered derivatives in their entirety but include embedded derivative features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index or third-party credit risk, or that have non-standard interest or foreign exchange terms.

On the date a derivative contract is entered into, the Group designates it as belonging to one of the following categories:

- trading activities;
- a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge);
- a hedge of the fair value of a recognized asset or liability;
- a hedge of the variability of cash flows to be received or paid relating to a recognized asset or liability or a forecasted transaction; or
- a hedge of a net investment in a foreign operation.

### Trading activities

The Group is active in most of the principal trading markets and transacts in many trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products, such as custom transactions using combinations of derivatives, in connection with its sales and trading activities. Trading activities include market making, positioning and arbitrage activities. The majority of the Group's derivatives were used for trading activities.

### Economic hedges

Economic hedges arise when the Group enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting under US GAAP. These economic hedges include the following types:

- interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain core banking business revenue and expense items, as well as on core banking business assets and liabilities;
- credit derivatives to manage credit risk on certain loan portfolios;
- futures to manage risk on equity positions including convertible bonds; and
- equity derivatives to manage equity/index risks on certain structured products.

Derivatives used in economic hedges are included as trading assets or trading liabilities in the consolidated balance sheets.

### Hedge accounting

#### Fair value hedges

The Group designates fair value hedges as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility. In addition to hedging changes in fair value due to interest rate risk associated with fixed rate loans, repurchase agreements and long-term debt instruments, the Group uses:

- cross-currency swaps to convert foreign-currency-denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities; and
- foreign exchange forward contracts to hedge the foreign exchange risk associated with available-for-sale securities.

#### Cash flow hedges

The Group designates cash flow hedges as part of its strategy to mitigate its risk to variability of cash flows on loans, deposits and other debt obligations by using interest rate swaps to convert variable rate assets or liabilities to fixed rates. The Group also uses cross-currency swaps to convert foreign-currency-denominated fixed and floating rate assets or liabilities to fixed rate assets or liabilities based on the currency profile to which the Group elects to be exposed. This includes, but is not limited to, Swiss francs and US dollars. Further, the Group uses derivatives to hedge its cash flows associated with forecasted transactions. As of the end of 2015, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

#### Net investment hedges

The Group designates net investment hedges as part of its strategy to hedge selected net investments in foreign operations against adverse movements in foreign exchange rates, typically using forward foreign exchange contracts.

#### Hedge effectiveness assessment

The Group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis, and requires the Group to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing basis and requires the Group to determine whether or not the hedging relationship has actually been effective. If the Group concludes, through a retrospective evaluation, that hedge accounting

is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognized in earnings.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 35 – Financial instruments" for further information.

### Fair value of derivative instruments

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 2015 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 7,229.5 | 1.0 | 1.2 | 0.0 | 0.0 | 0.0 |
| Swaps | 16,737.7 | 118.3 | 112.8 | 54.3 | 1.3 | 1.0 |
| Options bought and sold (OTC) | 2,856.0 | 49.2 | 47.4 | 0.0 | 0.0 | 0.0 |
| Futures | 1,789.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 198.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **28,811.5** | **168.6** | **161.4** | **54.3** | **1.3** | **1.0** |
| Forwards | 1,498.4 | 16.6 | 16.9 | 10.7 | 0.0 | 0.1 |
| Swaps | 1,050.7 | 30.5 | 40.8 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 534.8 | 12.8 | 12.8 | 8.2 | 0.0 | 0.0 |
| Futures | 22.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 13.0 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **3,119.4** | **60.2** | **70.8** | **18.9** | **0.0** | **0.1** |
| Forwards | 1.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 203.8 | 5.1 | 6.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 193.1 | 8.4 | 7.5 | 0.0 | 0.0 | 0.0 |
| Futures | 39.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 284.4 | 9.1 | 11.4 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **722.5** | **22.6** | **25.7** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **831.9** | **17.8** | **17.3** | **0.0** | **0.0** | **0.0** |
| Forwards | 6.3 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 19.6 | 2.6 | 1.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 8.8 | 0.4 | 0.3 | 0.0 | 0.0 | 0.0 |
| Futures | 11.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 1.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **47.7** | **3.2** | **2.2** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **33,533.0** | **272.4** | **277.4** | **73.2** | **1.3** | **1.1** |

The notional amount, PRV and NRV (trading and hedging) was CHF 33,606.2 billion, CHF 273.7 billion and CHF 278.5 billion, respectively, as of December 31, 2015.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 2014 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 11,940.2 | 5.3 | 5.6 | 0.0 | 0.0 | 0.0 |
| Swaps | 26,379.0 | 398.6 | 391.9 | 51.1 | 2.6 | 1.3 |
| Options bought and sold (OTC) | 3,582.9 | 66.2 | 63.9 | 0.0 | 0.0 | 0.0 |
| Futures | 1,528.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 589.1 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **44,019.6** | **470.3** | **461.5** | **51.1** | **2.6** | **1.3** |
| Forwards | 2,132.9 | 32.2 | 33.4 | 14.2 | 0.0 | 0.3 |
| Swaps | 1,430.9 | 40.0 | 51.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 1,008.4 | 17.2 | 17.7 | 9.5 | 0.0 | 0.1 |
| Futures | 23.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 7.9 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,603.4** | **89.5** | **102.3** | **23.7** | **0.0** | **0.4** |
| Forwards | 4.2 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 289.3 | 6.2 | 6.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 236.8 | 10.8 | 9.9 | 0.0 | 0.0 | 0.0 |
| Futures | 46.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 370.9 | 12.7 | 14.3 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **947.6** | **30.4** | **31.0** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **1,287.5** | **27.0** | **26.2** | **0.0** | **0.0** | **0.0** |
| Forwards | 17.8 | 0.9 | 0.9 | 0.0 | 0.0 | 0.0 |
| Swaps | 44.4 | 6.7 | 6.6 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 44.6 | 1.7 | 1.8 | 0.0 | 0.0 | 0.0 |
| Futures | 13.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 2.1 | 0.4 | 0.4 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **122.2** | **9.7** | **9.7** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **50,980.3** | **626.9** | **630.7** | **74.8** | **2.6** | **1.7** |

The notional amount, PRV and NRV (trading and hedging) was CHF 51,055.1 billion, CHF 629.5 billion and CHF 632.4 billion, respectively, as of December 31, 2014.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value hedges

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | |
| Interest rate products | (117) | (231) | 437 |
| Foreign exchange products | 0 | 3 | (9) |
| **Total** | **(117)** | **(228)** | **428** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | |
| Interest rate products | 101 | 227 | (435) |
| Foreign exchange products | 0 | (3) | 9 |
| **Total** | **101** | **224** | **(426)** |
| **Details of fair value hedges (CHF million)** | | | |
| Net gains/(losses) on the ineffective portion | (16) | (4) | 2 |

Represents gains/(losses) recognized in trading revenues.

### Cash flow hedges

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Interest rate products | 21 | 40 | 7 |
| Foreign exchange products | (32) | (43) | 13 |
| **Total** | **(11)** | **(3)** | **20** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Interest rate products | 37 [1] | 21 [2] | 3 [2] |
| Foreign exchange products | (61) [2, 3, 4] | (8) [3, 4] | (3) [3] |
| **Total** | **(24)** | **13** | **0** |
| **Details of cash flow hedges (CHF million)** | | | |
| Net gains/(losses) on the ineffective portion [2] | (12) | (1) | 1 |

Represents gains/(losses) on effective portion.
[1] Included in interest and dividend income.
[2] Included in trading revenues.
[3] Included in other revenues.
[4] Included in total other operating expenses.

The net loss associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 1 million.

### Net investment hedges

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Foreign exchange products | 440 | (1,672) | 504 |
| **Total** | **440** | **(1,672)** | **504** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Foreign exchange products [1] | 0 | 0 | 2 |
| **Total** | **0** | **0** | **2** |

Represents gains/(losses) on effective portion.
[1] Included in other revenues.

The Group includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

Certain of the Group's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty, at the existing mark-to-market replacement value of the derivative contract.

The following table provides the Group's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and SPEs that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch, two-notch and a three-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

### Contingent credit risk

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations [1] | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 13.2 | 0.5 | 1.4 | **15.1** | 14.0 | 0.8 | 1.6 | **16.4** |
| Collateral posted | 12.3 | 0.5 | – | **12.8** | 12.2 | 0.9 | – | **13.1** |
| Additional collateral required in a one-notch downgrade event | 0.7 | 0.4 | 0.1 | **1.2** | 0.7 | 0.5 | 0.1 | **1.3** |
| Additional collateral required in a two-notch downgrade event | 1.8 | 0.7 | 0.6 | **3.1** | 2.2 | 0.8 | 0.7 | **3.7** |
| Additional collateral required in a three-notch downgrade event | 2.1 | 1.3 | 0.8 | **4.2** | 2.7 | 1.4 | 1.0 | **5.1** |

[1] Additional collateral required for accelerated terminations event has been corrected.

### Credit derivatives

Credit derivatives are contractual agreements in which the buyer generally pays a fee in exchange for a contingent payment by the seller if there is a credit event on the underlying referenced entity or asset. They are generally privately negotiated OTC contracts, with numerous settlement and payment terms, and most are structured so that they specify the occurrence of an identifiable credit event, which can include bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet obligations when due.

The Group enters into credit derivative contracts in the normal course of business, buying and selling protection to facilitate client transactions and as a market maker. This includes providing structured credit products for its clients to enable them to hedge their credit risk. The referenced instruments of these structured credit products are both investment grade and non-investment grade and could include corporate bonds, sovereign debt, ABS and loans. These instruments can be formed as single items (single-named instruments) or combined on a portfolio basis (multi-named instruments). The Group purchases protection to economically hedge various forms of credit exposure, for example, the economic hedging of loan portfolios or other cash positions. Finally, the Group also takes proprietary positions which can take the form of either purchased or sold protection.

The credit derivatives most commonly transacted by the Group are CDS and credit swaptions. CDSs are contractual agreements in which the buyer of the swap pays an upfront and/or a periodic fee in return for a contingent payment by the seller of the swap following a credit event of the referenced entity or asset. Credit swaptions are options with a specified maturity to buy or sell protection under a CDS on a specific referenced credit event.

In addition, to reduce its credit risk, the Group enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis and cannot be allocated to a particular derivative contract.

▸ Refer to "Note 27 – Offsetting of financial assets and financial liabilities" for further information on netting.

### Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events. The Group believes that the maximum potential payout is not representative of the actual loss exposure based on historical experience. This amount has not been reduced by the Group's rights to the underlying assets and the related cash flows. In accordance with most credit derivative contracts, should a credit event (or settlement trigger) occur, the Group is usually liable for the difference between the credit protection sold and the recourse it holds in the value of the underlying assets. The maximum potential amount of future payments has not been reduced for any cash collateral paid to a given counterparty as such payments would be calculated after netting all derivative exposures, including any credit derivatives with that counterparty in accordance with a related master netting agreement. Due to such netting processes, determining the amount of collateral that corresponds to credit derivative exposures only is not possible.

To reflect the quality of the payment risk on credit protection sold, the Group assigns an internally generated rating to those instruments referenced in the contracts. Internal ratings are assigned by experienced credit analysts based on expert judgment that incorporates analysis and evaluation of both quantitative and qualitative factors. The specific factors analyzed, and their relative importance, are dependent on the type of counterparty. The analysis emphasizes a forward-looking approach, concentrating on economic trends and financial fundamentals, and making use of peer analysis, industry comparisons and other quantitative tools. External ratings and market information are also used in the analysis process where available.

### Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold. The maximum potential payout amount of credit protection purchased for each individual identical underlying reference instrument may be greater or lower than the notional amount of protection sold.

The Group also considers estimated recoveries that it would receive if the specified credit event occurred, including both the anticipated value of the underlying referenced asset that would, in most instances, be transferred to the Group and the impact of any purchased protection with an identical reference instrument and product type.

### Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments, and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

The Group purchases its protection from banks and broker dealers, other financial institutions and other counterparties.

### Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" table. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 7.8 billion and CHF 12.6 billion as of December 31, 2015 and 2014, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

### Credit protection sold/purchased

| end of | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection (sold)/ purchased | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection (sold)/ purchased |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (199.6) | 188.6 | (11.0) | 26.9 | 1.0 | (266.5) | 254.0 | (12.5) | 32.7 | 4.5 |
| Non-investment grade | (65.2) | 61.1 | (4.1) | 15.7 | (3.2) | (103.9) | 99.9 | (4.0) | 13.5 | 0.1 |
| **Total single-name instruments** | **(264.8)** | **249.7** | **(15.1)** | **42.6** | **(2.2)** | **(370.4)** | **353.9** | **(16.5)** | **46.2** | **4.6** |
| of which sovereign | (47.5) | 43.9 | (3.6) | 6.1 | (1.1) | (76.2) | 73.0 | (3.2) | 8.6 | (1.1) |
| of which non-sovereign | (217.3) | 205.8 | (11.5) | 36.5 | (1.1) | (294.2) | 280.9 | (13.3) | 37.6 | 5.7 |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (89.1) | 88.3 | (0.8) | 31.6 | (0.5) | (162.2) | 159.9 | (2.3) | 56.2 | 2.2 |
| Non-investment grade | (24.4) | 18.0 [3] | (6.4) | 6.2 | 0.2 | (53.4) | 51.1 [3] | (2.3) | 12.1 | 1.0 |
| **Total multi-name instruments** | **(113.5)** | **106.3** | **(7.2)** | **37.8** | **(0.3)** | **(215.6)** | **211.0** | **(4.6)** | **68.3** | **3.2** |
| of which sovereign | (1.0) | 1.0 | 0.0 | 1.0 | 0.0 | (7.3) | 7.2 | (0.1) | 1.1 | 0.0 |
| of which non-sovereign | (112.5) | 105.3 | (7.2) | 36.8 | (0.3) | (208.3) | 203.8 | (4.5) | 67.2 | 3.2 |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (288.7) | 276.9 | (11.8) | 58.5 | 0.5 | (428.7) | 413.9 | (14.8) | 88.9 | 6.7 |
| Non-investment grade | (89.6) | 79.1 | (10.5) | 21.9 | (3.0) | (157.3) | 151.0 | (6.3) | 25.6 | 1.1 |
| **Total instruments** | **(378.3)** | **356.0** | **(22.3)** | **80.4** | **(2.5)** | **(586.0)** | **564.9** | **(21.1)** | **114.5** | **7.8** |
| of which sovereign | (48.5) | 44.9 | (3.6) | 7.1 | (1.1) | (83.5) | 80.2 | (3.3) | 9.7 | (1.1) |
| of which non-sovereign | (329.8) | 311.1 | (18.7) | 73.3 | (1.4) | (502.5) | 484.7 | (17.8) | 104.8 | 8.9 |

[1] Represents credit protection purchased with identical underlyings and recoveries.
[2] Based on internal ratings of BBB and above.
[3] Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

### Credit derivatives

| end of | **2015** | 2014 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 378.3 | 586.0 |
| Credit protection purchased | 356.0 | 564.9 |
| Other protection purchased | 80.4 | 114.5 |
| Other instruments [1] | 17.2 | 22.1 |
| **Total credit derivatives** | **831.9** | **1,287.5** |

[1] Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

### Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | **Total** |
|---|---|---|---|---|
| **2015 (CHF billion)** | | | | |
| Single-name instruments | 52.1 | 196.4 | 16.3 | 264.8 |
| Multi-name instruments | 19.0 | 84.9 | 9.6 | 113.5 |
| **Total instruments** | **71.1** | **281.3** | **25.9** | **378.3** |
| **2014 (CHF billion)** | | | | |
| Single-name instruments | 78.0 | 253.9 | 38.5 | 370.4 |
| Multi-name instruments | 31.2 | 134.3 | 50.1 | 215.6 |
| **Total instruments** | **109.2** | **388.2** | **88.6** | **586.0** |

## 33 Guarantees and commitments

### Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate Credit Suisse to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Group's current best estimate of payments that will be required under existing guarantee arrangements.

### Guarantees

| end of | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | | |
| Credit guarantees and similar instruments | 2,916 | 744 | 284 | 458 | 4,402 | 4,193 | 25 | 1,729 |
| Performance guarantees and similar instruments | 4,295 | 1,992 | 627 | 85 | 6,999 | 6,100 | 78 | 3,144 |
| Securities lending indemnifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derivatives [2] | 23,529 | 10,061 | 3,149 | 1,450 | 38,189 | 38,189 | 755 | – [3] |
| Other guarantees | 3,958 | 552 | 447 | 522 | 5,479 | 5,474 | 52 | 3,533 |
| **Total guarantees** | **34,698** | **13,349** | **4,507** | **2,515** | **55,069** | **53,956** | **910** | **8,406** |
| **2014 (CHF million)** | | | | | | | | |
| Credit guarantees and similar instruments | 2,495 | 733 | 257 | 601 | 4,086 | 3,846 | 30 | 1,657 |
| Performance guarantees and similar instruments | 4,899 | 1,284 | 1,203 | 106 | 7,492 | 6,625 | 43 | 3,188 |
| Securities lending indemnifications | 12,257 | 0 | 0 | 0 | 12,257 | 12,257 | 0 | 12,257 |
| Derivatives [2] | 24,599 | 6,157 | 986 | 1,816 | 33,558 | 33,558 | 954 | – [3] |
| Other guarantees | 3,592 | 791 | 233 | 397 | 5,013 | 5,007 | 44 | 2,805 |
| **Total guarantees** | **47,842** | **8,965** | **2,679** | **2,920** | **62,406** | **61,293** | **1,071** | **19,907** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.

#### Credit guarantees and similar instruments

Credit guarantees and similar instruments are contracts that require the Group to make payments should a third party fail to do so under a specified existing credit obligation. The position includes standby letters of credit, commercial and residential mortgage guarantees and other guarantees associated with VIEs.

Standby letters of credit are made in connection with the corporate lending business and other corporate activities, where the Group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparties fail to fulfill their obligations under a borrowing arrangement or other contractual obligation.

Commercial and residential mortgage guarantees are made in connection with the Group's commercial mortgage activities in the US, where the Group sells certain commercial and residential mortgages to the Fannie Mae and agrees to bear a percentage of the losses triggered by the borrowers failing to perform on the mortgage. The Group also issues guarantees that require it to reimburse Fannie Mae for losses on certain whole loans underlying mortgage-backed securities issued by Fannie Mae, which are triggered by borrowers failing to perform on the underlying mortgages.

The Group also provides guarantees to VIEs and other counterparties under which it may be required to buy assets from such entities upon the occurrence of certain triggering events such as rating downgrades and/or substantial decreases in the ○ fair value of those assets.

#### Performance guarantees and similar instruments

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance guarantees are frequently executed as part of project finance transactions. The position includes private equity fund guarantees and guarantees related to residential mortgage securitization activities.

For private equity fund guarantees, the Group has provided investors in private equity funds sponsored by a Group entity guarantees on potential obligations of certain general partners to return

amounts previously paid as carried interest to those general partners if the performance of the remaining investments declines. To manage its exposure, the Group generally withholds a portion of carried interest distributions to cover any repayment obligations. In addition, pursuant to certain contractual arrangements, the Group is obligated to make cash payments to certain investors in certain private equity funds if specified performance thresholds are not met.

Further, as part of the Group's residential mortgage securitization activities in the US, the Group may guarantee the collection by the servicer and remittance to the securitization trust of prepayment penalties. The Group will have to perform under these guarantees in the event the servicer fails to remit the prepayment penalties.

### Securities lending indemnifications

Securities lending indemnifications include arrangements in which the Group agreed to indemnify securities lending customers against losses incurred in the event that security borrowers do not return securities subject to the lending agreement and the collateral held is insufficient to cover the market value of the securities borrowed. As indicated in the Guarantees table, the Group was fully collateralized in respect of securities lending indemnifications.

### Derivatives

Derivatives are issued in the ordinary course of business, generally in the form of written put options. Disclosures about derivative contracts are not required under US GAAP if such contracts may be cash settled and the Group has no basis to conclude it is probable that the counterparties held, at inception, the underlying instruments related to the derivative contracts. The Group has concluded that these conditions were met for certain active commercial and investment banks and certain other counterparties, and accordingly, the Group has not included such contracts as guarantees.

The Group manages its exposure to these derivatives by engaging in various hedging strategies to reduce its exposure. For some contracts, such as written interest rate caps or foreign exchange options, the maximum payout is not determinable as interest rates or exchange rates could theoretically rise without limit. For these contracts, notional amounts were disclosed in the table above in order to provide an indication of the underlying exposure. In addition, the Group carries all derivatives at fair value in the consolidated balance sheets and has considered the performance triggers and probabilities of payment when determining those fair values. It is more likely than not that written put options that are in-the-money to the counterparty will be exercised, for which the Group's exposure was limited to the carrying value reflected in the table.

### Other guarantees

Other guarantees include bankers' acceptances, residual value guarantees, deposit insurance, contingent considerations in business combinations, the minimum value of an investment in mutual funds or private equity funds and all other guarantees that were not allocated to one of the categories above.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2015 to June 30, 2016 is CHF 0.6 billion. These deposit insurance guarantees were reflected in other guarantees.

### Representations and warranties on residential mortgage loans sold

In connection with the former Investment Banking division's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises, Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims made within the statute of limitations (including the likelihood and ability to enforce claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

During 2015, the Group received repurchase claims for residential mortgage loans that were not significant, and loans repurchased during this period and related losses were not material. The balance of outstanding repurchase claims as of the end of 2015 was not significant.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so

during the reporting period, are not included in this Guarantees and commitments disclosure but are addressed in litigation and related loss contingencies and provisions. The Group is involved in litigation relating to representations and warranties on residential mortgages sold.

▸ Refer to "Note 39 – Litigation" for further information.

### Disposal-related contingencies and other indemnifications

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees are not reflected in the "Guarantees" table and are discussed below.

#### Disposal-related contingencies

In connection with the sale of assets or businesses, the Group sometimes provides the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. They are designed to transfer the potential risk of certain unquantifiable and unknowable loss contingencies, such as litigation, tax and intellectual property matters, from the acquirer to the seller. The Group closely monitors all such contractual agreements in order to ensure that indemnification provisions are adequately provided for in the Group's consolidated financial statements.

#### Other indemnifications

The Group provides indemnifications to certain counterparties in connection with its normal operating activities, for which it is not possible to estimate the maximum amount that it could be obligated to pay. As a normal part of issuing its own securities, the Group typically agrees to reimburse holders for additional tax withholding charges or assessments resulting from changes in applicable tax laws or the interpretation of those laws. Securities that include these agreements to pay additional amounts generally also include a related redemption or call provision if the obligation to pay the additional amounts results from a change in law or its interpretation and the obligation cannot be avoided by the issuer taking reasonable steps to avoid the payment of additional amounts. Since such potential obligations are dependent on future changes in tax laws, the related liabilities the Group may incur as a result of such changes cannot be reasonably estimated. In light of the related call provisions typically included, the Group does not expect any potential liabilities in respect of tax gross-ups to be material.

The Group is a member of numerous securities exchanges and clearing houses and may, as a result of its membership arrangements, be required to perform if another member defaults and available amounts as defined in the relevant exchange's or clearing house's default waterfalls are not sufficient to cover losses of another member's default. The exchange's or clearing house's default management procedures may provide for cash calls to non-defaulting members which may be limited to the amount (or a multiple of the amount) of the Group's contribution to the guarantee fund. However, if these cash calls are not sufficient to cover losses, the default waterfall and default management procedures may foresee further loss allocation. Furthermore, some clearing house arrangements require members to assume a proportionate share of non-default losses, if such losses exceed the specified resources allocated for such purpose by the clearing house. Non-default losses result from the clearing house's investment of guarantee fund contributions and initial margin or are other losses unrelated to the default of a clearing member. The Group has determined that it is not possible to reasonably estimate the maximum potential amount of future payments due under the membership arrangements. In addition, the Group believes that any potential requirement to make payments under these membership arrangements is remote.

### Lease commitments

| Lease commitments (CHF million) | |
|---|---|
| 2016 | 564 |
| 2017 | 547 |
| 2018 | 518 |
| 2019 | 483 |
| 2020 | 458 |
| Thereafter | 3,461 |
| **Future operating lease commitments** | **6,031** |
| Less minimum non-cancellable sublease rentals | 202 |
| **Total net future minimum lease commitments** | **5,829** |

### Rental expense for operating leases

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Rental expense for operating leases (CHF million)** | | | |
| Minimum rental expense | 558 | 572 | 642 |
| Sublease rental income | (92) | (81) | (85) |
| **Total net expenses for operating leases** | **466** | **491** | **557** |

### Operating lease commitments

The Group has contractual commitments under operating lease arrangements for certain premises and equipment. Under operating leases, the leased property is not reported on the balance sheet of the lessee. Lease payments required by the contract are generally expensed on a straight-line basis over the term of the lease. The related commitments for future rental expenses under operating leases are included in the table "Lease commitments".

From time to time, the Group may enter into sale-leaseback transactions, in which an asset is sold and immediately leased back. If specific criteria are met, such asset is derecognized from the balance sheet and an operating lease is recognized. If the present value of the lease payments is equal to or higher than 10% of the fair value of the property sold, any resulting gains up to an amount equal to the present value of the lease payments are deferred and recognized in the statement of operations over the

term of the lease as a reduction of rental expense. Gains on sale-leaseback transactions for which the lease payments are lower than 10% of the fair value of the property sold or gains in excess of the present value of the lease payments are recognized in the statements of operations upon completion of the sale.

### Sale-leaseback transactions

There were no significant transactions in 2015.

During 2015, 2014 and 2013, the Group entered into several smaller sale-leaseback transactions in respect of own property, which were all recognized as operating lease arrangements with lease terms of between two and eighteen years, between two and ten years and between five and ten years, respectively. The total contractual rental expenses were CHF 80 million for the 2015 sale-leaseback transactions, CHF 17 million for the 2014 sale-leaseback transactions and CHF 78 million for the 2013 sale-leaseback transactions.

## Other commitments

| end of | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | **Total gross amount** | Total net amount [1] | Collateral received |
|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | |
| Irrevocable commitments under documentary credits | 4,022 | 4 | 3 | 0 | 4,029 | 3,935 | 2,468 |
| Irrevocable loan commitments [2] | 33,890 | 45,365 | 44,759 | 13,639 | 137,653 | 133,833 | 63,276 |
| Forward reverse repurchase agreements | 48 | 0 | 0 | 0 | 48 | 48 | 48 |
| Other commitments | 450 | 124 | 29 | 169 | 772 | 771 | 6 |
| **Total other commitments** | **38,410** | **45,493** | **44,791** | **13,808** | **142,502** | **138,587** | **65,798** |
| **2014 (CHF million)** | | | | | | | |
| Irrevocable commitments under documentary credits | 4,722 | 11 | 1 | 0 | 4,734 | 4,575 | 2,769 |
| Irrevocable loan commitments [2] | 30,023 | 32,781 | 46,490 | 10,996 | 120,290 | 115,502 | 56,959 |
| Forward reverse repurchase agreements | 8,292 | 0 | 0 | 0 | 8,292 | 8,292 | 8,292 |
| Other commitments | 736 | 768 | 43 | 223 | 1,770 | 1,770 | 0 |
| **Total other commitments** | **43,773** | **33,560** | **46,534** | **11,219** | **135,086** | **130,139** | **68,020** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Irrevocable loan commitments do not include a total gross amount of CHF 98,495 million and CHF 100,905 million of unused credit limits as of December 31, 2015 and 2014, respectively, which were revocable at the Group's sole discretion upon notice to the client.

### Irrevocable commitments under documentary credits

Irrevocable commitments under documentary credits include exposures from trade finance related to commercial letters of credit under which the Group guarantees payments to exporters against presentation of shipping and other documents.

### Irrevocable loan commitments

Irrevocable loan commitments are irrevocable credit facilities extended to clients and include fully or partially undrawn commitments that are legally binding and cannot be unconditionally cancelled by the Group. Commitments to originate mortgage loans that will be held for sale are considered derivatives for accounting purposes and are not included in this disclosure. Such commitments are reflected as derivatives in the consolidated balance sheets.

### Forward reverse repurchase agreements

Forward reverse repurchase agreements represent transactions in which the initial cash exchange of the reverse repurchase transactions takes place on specified future dates. The commitment balance for forward reverse repurchase agreements decreased in 2015 primarily as a result of a change in the calculation methodology. The Group enters into forward reverse repurchase agreements with counterparties that may have existing funded reverse repurchase agreements. Depending on the details of the counterparty contract with Credit Suisse, the new methodology considers both a counterparty's existing funded reverse repurchase agreement and any forward reverse repurchase agreements under contract with the same counterparty.

### Other commitments

Other commitments include private equity commitments, firm commitments in underwriting securities, commitments arising from deferred payment letters of credit and from acceptances in circulation and liabilities for call and put options on shares and other equity instruments.

## 34 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and for Group tax or regulatory purposes.

### TRANSFERS OF FINANCIAL ASSETS

#### Securitizations

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, CP and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) and ABS that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include CDOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CDOs are collateralized by the assets transferred to the CDO vehicle and pay a return based on the returns on those assets. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed financing structures, investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and CDOs involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2015, 2014 and 2013 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

## Securitizations

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Gains and cash flows (CHF million)** | | | |
| **CMBS** | | | |
| Net gain [1] | 1 | 7 | 4 |
| Proceeds from transfer of assets | 9,813 | 5,335 | 5,574 |
| Cash received on interests that continue to be held | 148 | 102 | 70 |
| **RMBS** | | | |
| Net gain/(loss) [1] | 5 | 13 | (8) |
| Proceeds from transfer of assets | 20,062 | 22,728 | 24,523 |
| Purchases of previously transferred financial assets or its underlying collateral | (1) | (4) | (10) |
| Servicing fees | 3 | 2 | 4 |
| Cash received on interests that continue to be held | 457 | 444 | 486 |
| **Other asset-backed financings** | | | |
| Net gain [1] | 24 | 29 | 15 |
| Proceeds from transfer of assets | 1,740 | 1,819 | 915 |
| Purchases of previously transferred financial assets or its underlying collateral [2] | 0 | 0 | (213) |
| Cash received on interests that continue to be held | 3 | 17 | 633 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral are the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

[2] Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

### Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE, which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets. Beneficial interests, which are valued at fair value, include rights to receive all or portions of specified cash inflows received by an SPE, including, but not limited to, senior and subordinated shares of interest, principal, or other cash inflows to be "passed through" or "paid through", premiums due to guarantors, CP obligations, and residual interests, whether in the form of debt or equity.

The Group's exposure resulting from continuing involvement in transferred financial assets is generally limited to beneficial interests typically held by the Group in the form of instruments issued by SPEs that are senior, subordinated or residual tranches. These instruments are held by the Group typically in connection with underwriting or market-making activities and are included in trading assets in the consolidated balance sheets. Any changes in the fair value of these beneficial interests are recognized in the consolidated statements of operations.

Investors usually have recourse to the assets in the SPE and often benefit from other credit enhancements, such as collateral accounts, or from liquidity facilities, such as lines of credit or liquidity put option of asset purchase agreements. The SPE may also enter into a derivative contract in order to convert the yield or currency of the underlying assets to match the needs of the SPE investors, or to limit or change the credit risk of the SPE. The Group may be the provider of certain credit enhancements as well as the counterparty to any related derivative contract.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of December 31, 2015 and 2014, regardless of when the transfer of assets occurred.

### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 40,625 | 41,216 |
| Total assets of SPE | 56,118 | 53,354 |
| **RMBS** | | |
| Principal amount outstanding | 54,164 | 49,884 |
| Total assets of SPE | 55,833 | 50,017 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 21,653 | 26,176 |
| Total assets of SPE | 22,787 | 26,176 |

Principal amount outstanding relates to assets transferred from the Group and does not include principal amounts for assets transferred from third parties.

### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Group may utilize to hedge the inherent risks.

### Key economic assumptions at the time of transfer

▸ Refer to "Fair value measurement" in Note 35 – Financial instruments for further information on the fair value hierarchy.

### Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

| at time of transfer, in | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | CMBS | RMBS | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,512 | 2,110 | 1,341 | 4,023 | 633 | 2,993 |
| of which level 2 | 1,442 | 1,695 | 1,242 | 3,791 | 476 | 2,879 |
| of which level 3 | 70 | 415 | 100 | 232 | 156 | 114 |
| Weighted-average life, in years | 8.2 | 9.0 | 4.1 | 7.7 | 7.3 | 7.7 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 1.1–30.1 | – [2] | 1.5–23.0 | – [2] | 2.0–31.0 |
| Cash flow discount rate (rate per annum), in % [3] | 1.7–7.2 | 1.7–33.7 | 1.0–11.0 | 1.9–17.8 | 1.6–11.6 | 0.0–45.9 |
| Expected credit losses (rate per annum), in % | 0.7–5.9 | 0.5–15.9 | 1.0–2.2 | 0.4–15.3 | 0.0–7.5 | 0.0–45.8 |

Transfers of assets in which the Group does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

## Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of December 31, 2015 and 2014.

### Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,007 | 2,274 | 56 | 1,168 | 2,394 | 212 |
| of which non-investment grade | 73 | 581 | 55 | 79 | 246 | 146 |
| Weighted-average life, in years | 6.7 | 9.7 | 2.5 | 5.6 | 7.8 | 3.6 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.0–37.1 | – | – | 1.0–36.6 | – |
| Impact on fair value from 10% adverse change | – | (30.5) | – | – | (29.2) | – |
| Impact on fair value from 20% adverse change | – | (57.6) | – | – | (56.4) | – |
| Cash flow discount rate (rate per annum), in % [4] | 2.1–13.3 | 1.5–35.5 | 5.7–21.2 | 1.6–22.3 | 1.7–44.0 | 0.3–21.2 |
| Impact on fair value from 10% adverse change | (18.1) | (63.1) | (0.7) | (14.0) | (43.8) | (1.2) |
| Impact on fair value from 20% adverse change | (35.6) | (122.5) | (1.5) | (27.4) | (85.3) | (2.4) |
| Expected credit losses (rate per annum), in % | 0.9–12.7 | 1.3–34.3 | 0.2–14.2 | 1.0–22.2 | 0.0–41.7 | 1.4–13.1 |
| Impact on fair value from 10% adverse change | (8.0) | (32.3) | (0.7) | (7.1) | (25.3) | (0.4) |
| Impact on fair value from 20% adverse change | (15.9) | (63.2) | (1.5) | (14.0) | (49.4) | (0.7) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[2] CDOs within this category are generally structured to be protected from prepayment risk.

[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[4] The rate was based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

### Transfers of financial assets where sale treatment was not achieved

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of December 31, 2015 and 2014.

▸ Refer to "Note 36 – Assets pledged and collateral" for further information.

**Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved**

| end of | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Other assets | 0 | 26 |
| Liability to SPE, included in Other liabilities | 0 | (26) |
| **RMBS** | | |
| Other assets | 266 | 0 |
| Liability to SPE, included in Other liabilities | (266) | 0 |
| **Other asset-backed financings** | | |
| Trading assets | 155 | 138 |
| Other assets | 122 | 252 |
| Liability to SPE, included in Other liabilities | (277) | (390) |

### Transfers of financial assets accounted for as a sale

US GAAP requires the disclosure of a transaction accounted for as a sale that comprises both of the following: a transfer of financial assets to a transferee and an agreement entered into in contemplation of the initial transfer with the transferee that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. In the ordinary course of business, the Group transfers a financial asset accounted for as a sale and, in some instances, enters into an agreement in contemplation of that initial transfer with the same counterparty to retain substantially all of the economics of that transferred financial asset. As of December 31, 2015, the Group had agreements in the form of TRS on equity securities and longevity swaps on life insurance policies.

The following table presents information about the transfers of financial assets accounted for as sales with agreements that result in the Group retaining substantially all of the exposure to the economic return on the transferred assets at the date of sale and remain outstanding as of December 31, 2015, gross cash proceeds received for assets derecognized at the date of sale and the fair values of transferred assets and the aforementioned agreements as of December 31, 2015.

**Transfer of financial assets accounted for as sales – by transaction type**

| | at date of derecognition | | end of | | |
|---|---|---|---|---|---|
| | Carrying amount derecognized | Gross cash proceeds received for assets derecognized | Fair value of transferred assets | Gross derivative assets recorded [1] | Gross derivative liabilities recorded [1] |
| **2015 (CHF million)** | | | | | |
| Sales with total return swaps | 395 | 397 | 398 | 7 | 7 |
| Sales with longevity swaps | 308 | 378 | 375 | 546 | – |
| **Total transactions outstanding** | **703** | **775** | **773** | **553** [2] | **7** [3] |

[1] Balances presented on a gross basis, before application of counterparty and cash collateral netting.
[2] Gross derivative assets of CHF 7 million and CHF 546 million included in equity/index-related products and other products, respectively, as disclosed in Note 32 – Derivatives and hedging activities.
[3] Gross derivative liabilities of CHF 7 million included in equity/index-related products, as disclosed in Note 32 – Derivatives and hedging activities.

### Securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings

For securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings, US GAAP requires the disclosure of the collateral pledged and the associated risks to which a transferor continues to be exposed after the transfer. This provides an understanding of the nature and risks of short-term collateralized financing obtained through these types of transactions.

Securities sold under repurchase agreements and securities lending transactions represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activities. These transactions are collateralized principally by government debt securities, corporate debt securities, asset-backed securities, equity securities and other collateral and have terms ranging from on demand to a longer period of time.

In the event of the Group's default or a decline in fair value of collateral pledged, the repurchase agreement or security lending transaction provides the counterparty with the right to liquidate the collateral held or request additional collateral.

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of December 31, 2015.

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by class of collateral pledged

| end of | 2015 |
|---|---|
| **CHF billion** | |
| Government debt securities | 21.1 |
| Corporate debt securities | 15.2 |
| Asset-backed securities | 21.6 |
| Equity securities | 0.1 |
| Other | 0.1 |
| **Securities sold under repurchase agreements** | **58.1** |
| Government debt securities | 3.1 |
| Corporate debt securities | 0.4 |
| Equity securities | 8.2 |
| Other | 0.3 |
| **Securities lending transactions** | **12.0** |
| Government debt securities | 0.5 |
| Corporate debt securities | 0.1 |
| Equity securities | 27.9 |
| **Obligation to return securities received as collateral, at fair value** | **28.5** |
| **Total** | **98.6** |

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by remaining contractual maturity

| | | Remaining contractual maturities | | | |
|---|---|---|---|---|---|
| end of | On demand [1] | Up to 30 days [2] | 31–90 days | More than 90 days | **Total** |
| **2015 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 7.7 | 29.9 | 8.1 | 12.4 | 58.1 |
| Securities lending transactions | 6.0 | 3.6 | 1.8 | 0.6 | 12.0 |
| Obligation to return securities received as collateral, at fair value | 26.2 | 2.3 | 0.0 | 0.0 | 28.5 |
| **Total** | **39.9** | **35.8** | **9.9** | **13.0** | **98.6** |

[1] Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.
[2] Includes overnight transactions.

▸ Refer to "Note 27 – Offsetting of financial assets and financial liabilities" for further information on the gross amount of securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral and the net amounts disclosed in the consolidated balance sheets.

## VARIABLE INTEREST ENTITIES

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: ○ CDOs, CP conduits and financial intermediation. VIEs are SPEs that typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. VIEs may be sponsored by the Group, unrelated third parties or clients. Such entities are required to be assessed for consolidation, compelling the primary beneficiary to consolidate the VIE. The consolidation assessment requires an entity to determine whether it has the power to direct the activities that most significantly affect the economics of the VIE as well as whether the reporting entity has potentially significant benefits or losses in the VIE. The primary beneficiary assessment must be re-evaluated on an ongoing basis.

Application of the requirements for consolidation of VIEs may require the exercise of significant management judgment. In the event consolidation of a VIE is required, the exposure to the Group is limited to that portion of the VIE's assets attributable to any

variable interest held by the Group prior to any risk management activities to hedge the Group's net exposure. Any interests held in the VIE by third parties, even though consolidated by the Group, will not typically impact its results of operations.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, the Group may hold interests in the VIEs. Securitization-related transactions with VIEs involve selling or purchasing assets as well as possibly entering into related derivatives with those VIEs, providing liquidity, credit or other support. Other transactions with VIEs include derivative transactions in the Group's capacity as the prime broker. The Group also enters into lending arrangements with VIEs for the purpose of financing projects or the acquisition of assets. Typically, the VIE's assets are restricted in nature in that they are held primarily to satisfy the obligations of the entity. Further, the Group is involved with VIEs which were formed for the purpose of offering alternative investment solutions to clients. Such VIEs relate primarily to private equity investments, fund-linked vehicles or funds of funds, where the Group acts as structurer, manager, distributor, broker, market maker or liquidity provider.

As a consequence of these activities, the Group holds variable interests in VIEs. Such variable interests consist of financial instruments issued by VIEs and which are held by the Group, certain derivatives with VIEs or loans to VIEs. Guarantees issued by the Group to or on behalf of VIEs may also qualify as variable interests. For such guarantees, including derivatives that act as guarantees, the notional amount of the respective guarantees is presented to represent the exposure. In general, investors in consolidated VIEs do not have recourse to the Group in the event of a default, except where a guarantee was provided to the investors or where the Group is the counterparty to a derivative transaction involving VIEs.

Total assets of consolidated and non-consolidated VIEs for which the Group has involvement represent the total assets of the VIEs even though the Group's involvement may be significantly less due to interests held by third-party investors. The asset balances for non-consolidated VIEs where the Group has significant involvement represent the most current information available to the Group regarding the remaining principal balance of assets owned. In most cases, the asset balances represent an amortized cost basis without regards to impairments in fair value, unless fair value information is readily available.

The Group's maximum exposure to loss is different from the carrying value of the assets of the VIE. This maximum exposure to loss consists of the carrying value of the Group variable interests held as trading assets, derivatives and loans and the notional amount of guarantees to VIEs, rather than the amount of total assets of the VIEs. The maximum exposure to loss does not reflect the Group's risk management activities, including effects from financial instruments that the Group may utilize to economically hedge the risks inherent in these VIEs. The economic risks associated with VIE exposures held by the Group, together with all relevant risk mitigation initiatives, are included in the Group's risk management framework.

The Group has not provided financial or other support to consolidated or non-consolidated VIEs that it was not contractually required to provide.

**Collateralized debt obligations**

The Group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction. As part of its structured finance business, the Group purchases loans and other debt obligations from and on behalf of clients for the purpose of securitization. The loans and other debt obligations are sold to VIEs, which in turn issue CDOs to fund the purchase of assets such as investment grade and high yield corporate debt instruments.

Typically, the collateral manager in a managed CDO is deemed to be the entity that has the power to direct the activities that most affect the economics of the entity. In a static CDO this "power" role is more difficult to analyze and may be the sponsor of the entity or the CDS counterparty.

CDOs provide credit risk exposure to a portfolio of ABS (cash CDOs) or a reference portfolio of securities (synthetic CDOs). Cash CDO transactions hold actual securities whereas synthetic CDO transactions use CDS to exchange the underlying credit risk instead of using cash assets. The Group may also act as a derivative counterparty to the VIEs, which are typically not variable interests, and may invest in portions of the notes or equity issued by the VIEs. The CDO entities may have actively managed portfolios or static portfolios.

The securities issued by these VIEs are payable solely from the cash flows of the related collateral, and third-party creditors of these VIEs do not have recourse to the Group in the event of default.

The Group's exposure in CDO transactions is typically limited to interests retained in connection with its underwriting or market-making activities. Unless the Group has been deemed to have "power" over the entity and these interests are potentially significant, the Group is not the primary beneficiary of the vehicle and does not consolidate the entity. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the VIEs.

**Commercial paper conduit**

The Group continues to act as the administrator and provider of liquidity and credit enhancement facilities for one asset-backed CP conduit, Alpine, a client-focused multi-seller conduit vehicle. Alpine publishes portfolio and asset data and submits its portfolio to a rating agency for public ratings based on the cash flows of the portfolio taken as a whole. This CP conduit purchases assets, primarily loans and receivables, from clients and finances such purchases through the issuance of CP backed by these assets. For an asset to qualify for acquisition by the CP conduit, it must be rated at

least investment grade after giving effect to the related asset-specific credit enhancement primarily provided by the client seller of the asset. The clients provide credit support to investors of the CP conduit in the form of over-collateralization and other asset-specific enhancements. Further, an unaffiliated investor retains a limited first-loss position in Alpine's entire portfolio. Alpine is a separate legal entity that is wholly owned by the Group. However, its assets are available to satisfy only the claims of its creditors. In addition, the Group, as administrator and liquidity and credit enhancement facilities provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Group is deemed the primary beneficiary and consolidates this entity. The Group has decided not to issue any CP from Alpine and all outstanding CP was fully repaid as of December 31, 2015.

The overall average maturity of the conduit's outstanding CP was approximately 49 days as of December 31, 2014. As of December 31, 2014, Alpine had the highest short-term rating from Moody's and Dominion Bond Rating Service and was rated A-1 by Standard & Poor's and F-1 by Fitch. Alpine's purchased assets were advance financing receivables, student loans and CDOs. As of December 31, 2015 and 2014, those assets had a weighted average rating of A- and AA, respectively, based on the lowest of each asset's internal rating and, where available, external rating, and an average maturity of 3.3 years and 1.8 years, respectively.

The Group's commitment to this CP conduit consists of obligations under liquidity agreements and a program-wide credit enhancement agreement. The liquidity agreements are asset-specific arrangements, which require the Group to purchase assets from the CP conduit in certain circumstances, including a lack of liquidity in the CP market such that the CP conduit cannot refinance its obligations or, in some cases, a default of an underlying asset. The Group may, at its discretion, purchase assets that fall below investment grade in order to support the CP conduit. In both circumstances, the asset-specific credit enhancements provided by the client seller of the assets and the first-loss investor's respective exposures to those assets remain unchanged. In entering into such agreements, the Group reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit. The program-wide credit enhancement agreement with the CP conduit would absorb potential defaults of the assets, but is senior to the credit protection provided by the client seller of assets and the first-loss investor.

The Group believes that the likelihood of incurring a loss equal to the maximum exposure is remote because the assets held by the CP conduit, after giving effect to related asset-specific credit enhancement primarily provided by the clients, are classified as investment grade. The Group's economic risks associated with the purchased assets of the CP conduit are included in the Group's risk management framework including counterparty, economic risk capital and scenario analysis.

**Financial intermediation**

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

The Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Group's risk mitigation efforts, including, but not limited to, economic hedging strategies and collateral arrangements. The Group's economic risks associated with consolidated and non-consolidated VIE exposures arising from financial intermediation, together with all relevant risk mitigation initiatives, are included in the Group's risk management framework.

Financial intermediation consists of securitizations, funds, loans, and other vehicles.

### Securitizations

Securitizations are primarily ○ CMBS, ○ RMBS and ABS vehicles. The Group acts as an underwriter, market maker, liquidity provider, derivative counterparty and/or provider of credit enhancements to VIEs related to certain securitization transactions.

The maximum exposure to loss is the carrying value of the loan securities and derivative positions that are variable interests, if any, plus the exposure arising from any credit enhancements the Group provided. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the VIEs.

The activities that have the most significant impact on the securitization vehicle are the decisions relating to defaulted loans, which are controlled by the servicer. The party that controls the servicing has the ability to make decisions that significantly affect the result of the activities of the securitization vehicle. If a securitization vehicle has multiple parties that control servicing over specific assets, the Group determines it has power when it has control over the servicing of greater than 50% of the assets in the securitization vehicle. When a servicer or its related party also has an economic interest that has the potential to absorb a significant portion of the gains and/or losses, it will be deemed the primary beneficiary and consolidate the vehicle. If the Group determines that it controls the relevant servicing, it then determines if it has the obligation to absorb losses from, or the right to receive benefits of, the securitization vehicle that could potentially be significant to the vehicle, primarily by evaluating the amount and nature of securities issued by the vehicle that it holds. Factors considered in this analysis include the level of subordination of the securities held as well as the size of the position, based on the percentage of the class of securities and the total deal classes of securities issued. The more subordinated the level of securities held, the more likely it is that the Group will be the primary beneficiary. This consolidation analysis is performed each reporting period based on changes in inventory and the levels of assets remaining in the securitization. The Group typically consolidates securitization vehicles when it is the servicer and has holdings stemming from its

role as underwriter. Short-term market making holdings in vehicles are not typically considered to be potentially significant for the purposes of this assessment.

In the case of re-securitizations of previously issued RMBS securities, the re-securitization vehicles are passive in nature and do not have any significant ongoing activities that require management, and decisions relating to the design of the securitization transaction at its inception are the key power relating to the vehicle. Activities at inception include selecting the assets and determining the capital structure. The power over a re-securitization vehicle is typically shared between the Group and the investor(s) involved in the design and creation of the vehicle. The Group concludes that it is the primary beneficiary of a re-securitization vehicle when it owns substantially all of the bonds issued from the vehicle.

#### Funds

Funds include investment structures such as mutual funds, funds of funds, private equity funds and fund-linked products where the investors' interest is typically in the form of debt rather than equity, thereby making them VIEs. The Group may have various relationships with such VIEs in the form of structurer, investment advisor, investment manager, administrator, custodian, underwriter, placement agent, market maker and/or as prime broker. These activities include the use of VIEs in structuring fund-linked products, hedge funds of funds or private equity investments to provide clients with investment opportunities in alternative investments. In such transactions, a VIE holds underlying investments and issues securities that provide the investors with a return based on the performance of those investments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the Group as a result of underwriting or market-making activities, financing provided to the vehicles and the Group's exposure resulting from principal protection and redemptions features. The investors typically retain the risk of loss on such transactions, but for certain fund types, the Group may provide principal protection on the securities to limit the investors' exposure to downside market risk. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risk of the VIEs.

Another model is used to assess funds for consolidation under US GAAP. Rather than the consolidation model which incorporates power and the potential to absorb significant risk and rewards, a previous consolidation model is used which results in the Group being the primary beneficiary and consolidating the funds if it holds more than 50% of their outstanding issuances.

#### Loans

Loans are single-financing vehicles where the Group provides financing for specified assets or business ventures and the respective owner of the assets or manager of the businesses provides the equity in the vehicle. These tailored lending arrangements are established to purchase, lease or otherwise finance and manage clients' assets.

The maximum exposure to loss is the carrying value of the Group's loan exposure, which is subject to the same credit risk management procedures as loans issued directly to clients. The clients' creditworthiness is carefully reviewed, loan-to-value ratios are strictly set and, in addition, clients provide equity, additional collateral or guarantees, all of which significantly reduce the Group's exposure. The Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Group's risk mitigation efforts, which includes over-collateralization and effective monitoring to ensure that a sufficient loan-to-value ratio is maintained.

The third-party sponsor of the VIE will typically have control over the assets during the life of the structure and have the potential to absorb significant gains and losses; the Group is typically not the primary beneficiary of these structures and will not have to consolidate them. However, a change in the structure, such as a default of the sponsor, may result in the Group gaining control over the assets. If the Group's lending is significant, it may then be required to consolidate the entity.

#### Other

Other includes additional vehicles where the Group provides financing and trust preferred issuance vehicles. Trust preferred issuance vehicles are utilized to assist the Group in raising capital-efficient financing. The VIE issues preference shares which are guaranteed by the Group and uses the proceeds to purchase the debt of the Group. The Group's guarantee of its own debt is not considered a variable interest and, as it has no holdings in these vehicles, the Group has no maximum exposure to loss. Non-consolidated VIEs include only the total assets of trust preferred issuance vehicles, as the Group has no variable interests with these entities.

### Consolidated VIEs

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Group consolidates all VIEs related to financial intermediation for which it was the primary beneficiary.

The consolidated VIEs tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of December 31, 2015 and 2014.

### Consolidated VIEs in which the Group was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | CP Conduit | Securi-tizations | Funds | Loans | Other | **Total** |
| **2015 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,351 | 0 | 21 | 9 | 93 | 219 | 1,693 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 53 | 0 | 0 | 0 | 0 | 53 |
| Trading assets | 283 | 49 | 0 | 941 | 1,001 | 98 | 2,372 |
| Investment securities | 0 | 0 | 1,009 | 0 | 0 | 0 | 1,009 |
| Other investments | 0 | 0 | 0 | 0 | 1,553 | 433 | 1,986 |
| Net loans | 0 | 0 | 0 | 0 | 27 | 1,285 | 1,312 |
| Premises and equipment | 0 | 0 | 0 | 0 | 327 | 0 | 327 |
| Other assets | 10,839 | 123 | 1,671 | 0 | 83 | 1,735 | 14,451 |
| of which loans held-for-sale | 10,790 | 0 | 469 | 0 | 16 | 0 | 11,275 |
| **Total assets of consolidated VIEs** | **12,473** | **225** | **2,701** | **950** | **3,084** | **3,770** | **23,203** |
| Trading liabilities | 8 | 0 | 0 | 0 | 18 | 1 | 27 |
| Short-term borrowings | 0 | 0 | 81 | 0 | 0 | 0 | 81 |
| Long-term debt | 12,428 | 0 | 2,128 | 125 | 136 | 9 | 14,826 |
| Other liabilities | 51 | 3 | 3 | 1 | 135 | 643 | 836 |
| **Total liabilities of consolidated VIEs** | **12,487** | **3** | **2,212** | **126** | **289** | **653** | **15,770** |
| **2014 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,122 | 0 | 16 | 187 | 109 | 59 | 1,493 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 660 | 0 | 0 | 0 | 0 | 660 |
| Trading assets | 615 | 57 | 250 | 1,715 | 867 | 757 | 4,261 |
| Other investments | 0 | 0 | 0 | 30 | 1,651 | 424 | 2,105 |
| Net loans | 0 | 12 | 0 | 0 | 24 | 209 | 245 |
| Premises and equipment | 0 | 0 | 0 | 0 | 452 | 0 | 452 |
| Other assets | 8,726 | 262 | 4,741 | 3 | 197 | 2,205 | 16,134 |
| of which loans held-for-sale | 8,689 | 0 | 3,500 | 0 | 24 | 356 | 12,569 |
| **Total assets of consolidated VIEs** | **10,463** | **991** | **5,007** | **1,935** | **3,300** | **3,654** | **25,350** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 3 | 3 |
| Trading liabilities | 6 | 0 | 0 | 0 | 23 | 6 | 35 |
| Short-term borrowings | 0 | 9,384 | 0 | 0 | 0 | 0 | 9,384 |
| Long-term debt | 10,318 | 18 | 2,418 | 216 | 99 | 383 | 13,452 |
| Other liabilities | 27 | 29 | 573 | 124 | 146 | 829 | 1,728 |
| **Total liabilities of consolidated VIEs** | **10,351** | **9,431** | **2,991** | **340** | **268** | **1,221** | **24,602** |

### Non-consolidated VIEs

The non-consolidated VIEs tables provide the carrying amounts and classification of the assets of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Maximum exposure to loss represents the variable interests of non-consolidated VIEs that are recorded by the Group (for example, direct holdings in vehicles, loans and other receivables), as well as notional amounts of guarantees and off-balance sheet commitments which are variable interests that have been extended to non-consolidated VIEs. Such amounts, particularly notional amounts of derivatives and guarantees, do not represent the anticipated losses in connection with these transactions as they do not take into consideration the effect of collateral, recoveries or the probability of loss. In addition, they exclude the effect of offsetting financial instruments that are held to mitigate these risks and have not been reduced by unrealized losses previously recorded by the Group in connection with guarantees or derivatives.

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Group has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Group has with the entity and thus are not amounts that are considered for risk management purposes.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

### Non-consolidated VIEs

| | | | Financial intermediation | | | |
|---|---|---|---|---|---|---|
| end of | CDO | Securitizations | Funds | Loans | Other | **Total** |
| **2015 (CHF million)** | | | | | | |
| Trading assets | 90 | 6,021 | 871 | 425 | 8 | 7,415 |
| Net loans | 36 | 1,508 | 2,734 | 5,053 | 1,723 | 11,054 |
| Other assets | 0 | 11 | 13 | 0 | 161 | 185 |
| **Total variable interest assets** | **126** | **7,540** | **3,618** | **5,478** | **1,892** | **18,654** |
| **Maximum exposure to loss** | **126** | **12,986** | **3,618** | **11,866** | **2,570** | **31,166** |
| **Non-consolidated VIE assets** | **6,590** | **113,530** | **54,112** | **41,824** | **36,865** | **252,921** |
| **2014 (CHF million)** | | | | | | |
| Trading assets | 179 | 5,009 | 1,201 | 494 | 625 | 7,508 |
| Net loans | 211 | 2,307 [1] | 3,213 | 5,482 [1] | 1,544 | 12,757 [1] |
| Other assets | 0 | 4 | 20 | 0 | 189 | 213 |
| **Total variable interest assets** | **390** | **7,320** [1] | **4,434** | **5,976** [1] | **2,358** | **20,478** [1] |
| **Maximum exposure to loss** | **752** | **12,830** [1] | **4,589** | **11,157** [1] | **2,358** | **31,686** [1] |
| **Non-consolidated VIE assets** | **8,604** | **120,243** [1] | **56,413** | **45,268** [1] | **23,360** | **253,888** [1] |

[1] Prior period has been corrected.

## 35 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:

- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes);
- Fair value option; and
- Disclosures about ○ fair value of financial instruments not carried at fair value.

### CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

The Group regularly monitors the credit risk portfolio by counterparties, industry, country and products to ensure that such potential concentrations are identified, using a comprehensive range of quantitative tools and metrics. Credit limits relating to counterparties and products are managed through counterparty limits which set the maximum credit exposures the Group is willing to assume to specific counterparties over specified periods. Country limits are established to avoid any undue country risk concentration.

From an industry point of view, the combined credit exposure of the Group is diversified. A large portion of the credit exposure is with individual clients, particularly through residential mortgages in Switzerland, or relates to transactions with financial institutions. In both cases, the customer base is extensive and the number and variety of transactions are broad. For transactions with financial institutions, the business is also geographically diverse, with operations focused in the Americas, Europe and, to a lesser extent, Asia Pacific.

### FAIR VALUE MEASUREMENT

A significant portion of the Group's financial instruments are carried at ○ fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain ○ CP, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain ○ OTC derivative instruments and most listed equity securities.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs.

For these instruments, the determination of fair value requires subjective assessment and judgment, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments. The fair value measurement disclosures exclude derivative transactions that are daily settled.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of assets, and the impact of changes in the Group's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the Group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the Group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

ASU 2011-04 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. As such, the Group continues to apply bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realized under normal market conditions for the net long or net short position for a specific market risk. In addition, the Group reflects the net exposure to credit risk for its derivative instruments where the Group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

**Fair value hierarchy**

The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs that are unobservable for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Group's own data. The Group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

The Group records net open positions at bid prices if long, or at ask prices if short, unless the Group is a market maker in such positions, in which case mid-pricing is utilized. Fair value measurements are not adjusted for transaction costs.

## Assets and liabilities measured at fair value on a recurring basis

| end of 2015 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 89 | 0 | – | 89 |
| Interest-bearing deposits with banks | 0 | 2 | 0 | – | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 83,407 | 158 | – | 83,565 |
| Debt | 811 | 493 | 0 | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | 261 |
| Equity | 27,141 | 66 | 0 | – | 27,207 |
| Securities received as collateral | 27,952 | 559 | 0 | – | 28,511 |
| Debt | 27,932 | 48,046 | 4,564 | – | 80,542 |
| of which foreign governments | 27,710 | 3,737 | 285 | – | 31,732 |
| of which corporates | 13 | 15,761 | 1,746 | – | 17,520 |
| of which RMBS | 0 | 22,302 | 814 | – | 23,116 |
| of which CMBS | 0 | 3,924 | 215 | – | 4,139 |
| of which CDO | 0 | 2,317 | 1,298 | – | 3,615 |
| Equity | 64,252 | 5,222 | 1,487 | – | 70,961 |
| Derivatives | 2,625 | 265,014 | 4,831 | (244,105) | 28,365 |
| of which interest rate products | 657 | 167,173 | 791 | – | – |
| of which foreign exchange products | 104 | 59,740 | 383 | – | – |
| of which equity/index-related products | 1,857 | 19,803 | 936 | – | – |
| of which credit derivatives | 0 | 16,267 | 1,568 | – | – |
| Other | 2,034 | 4,569 | 4,266 | – | 10,869 |
| Trading assets | 96,843 | 322,851 | 15,148 | (244,105) | 190,737 |
| Debt | 1,538 | 1,318 | 148 | – | 3,004 |
| of which foreign governments | 1,322 | 94 | 0 | – | 1,416 |
| of which corporates | 0 | 285 | 0 | – | 285 |
| of which RMBS | 0 | 602 | 148 | – | 750 |
| of which CMBS | 0 | 259 | 0 | – | 259 |
| Equity | 2 | 84 | 0 | – | 86 |
| Investment securities | 1,540 | 1,402 | 148 | – | 3,090 |
| Private equity | 0 | 0 | 1,042 | – | 1,042 |
| of which equity funds | 0 | 0 | 437 | – | 437 |
| Hedge funds | 0 | 98 | 197 | – | 295 |
| of which debt funds | 0 | 68 | 192 | – | 260 |
| Other equity investments | 0 | 79 | 1,150 | – | 1,229 |
| of which private | 0 | 70 | 1,149 | – | 1,219 |
| Life finance instruments | 0 | 2 | 1,669 | – | 1,671 |
| Other investments | 0 | 179 | 4,058 | – | 4,237 |
| Loans | 0 | 11,870 | 8,950 | – | 20,820 |
| of which commercial and industrial loans | 0 | 5,811 | 5,735 | – | 11,546 |
| of which financial institutions | 0 | 4,102 | 1,729 | – | 5,831 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 112 | – | 112 |
| Other assets | 687 | 19,002 | 7,087 | (1,149) | 25,627 |
| of which loans held-for-sale | 0 | 14,378 | 6,768 | – | 21,146 |
| **Total assets at fair value** | **127,022** | **439,361** | **35,661** | **(245,254)** | **356,790** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | (18) | (583) | – | (601) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (9,212) | (3,558) | – | (12,770) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **127,022** | **430,131** | **31,520** | **(245,254)** | **343,419** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2015 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 482 | 0 | – | 482 |
| Customer deposits | 0 | 3,409 | 254 | – | 3,663 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 32,398 | 0 | – | 32,398 |
| Debt | 811 | 493 | 0 | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | 261 |
| Equity | 27,141 | 66 | 0 | – | 27,207 |
| Obligation to return securities received as collateral | 27,952 | 559 | 0 | – | 28,511 |
| Debt | 4,100 | 4,289 | 16 | – | 8,405 |
| of which foreign governments | 4,050 | 491 | 0 | – | 4,541 |
| of which corporates | 30 | 3,597 | 16 | – | 3,643 |
| Equity | 16,875 | 160 | 45 | – | 17,080 |
| Derivatives | 3,062 | 269,788 | 4,554 | (253,918) | 23,486 |
| of which interest rate products | 671 | 160,181 | 578 | – | – |
| of which foreign exchange products | 82 | 70,381 | 329 | – | – |
| of which equity/index-related products | 2,299 | 22,015 | 1,347 | – | – |
| of which credit derivatives | 0 | 15,522 | 1,757 | – | – |
| Trading liabilities | 24,037 | 274,237 | 4,615 | (253,918) | 48,971 |
| Short-term borrowings | 0 | 3,040 | 72 | – | 3,112 |
| Long-term debt | 0 | 66,808 | 14,123 | – | 80,931 |
| of which treasury debt over two years | 0 | 4,590 | 0 | – | 4,590 |
| of which structured notes over one year and up to two years | 0 | 6,396 | 364 | – | 6,760 |
| of which structured notes over two years | 0 | 38,066 | 9,924 | – | 47,990 |
| of which other debt instruments over two years | 0 | 1,435 | 638 | – | 2,073 |
| of which other subordinated bonds | 0 | 5,476 | 0 | – | 5,476 |
| of which non-recourse liabilities | 0 | 10,642 | 3,197 | – | 13,839 |
| Other liabilities | 0 | 10,224 | 2,491 | (961) | 11,754 |
| of which failed sales | 0 | 530 | 454 | – | 984 |
| **Total liabilities at fair value** | **51,989** | **391,157** | **21,555** | **(254,879)** | **209,822** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2014 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 304 | 0 | – | 304 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 104,206 | 77 | – | 104,283 |
| Debt | 121 | 781 | 0 | – | 902 |
| of which corporates | 0 | 745 | 0 | – | 745 |
| Equity | 25,908 | 44 | 0 | – | 25,952 |
| Securities received as collateral | 26,029 | 825 | 0 | – | 26,854 |
| Debt | 31,937 | 57,989 | 4,465 | – | 94,391 |
| of which foreign governments | 31,708 | 4,869 | 454 | – | 37,031 |
| of which corporates | 28 | 22,493 | 1,435 | – | 23,956 |
| of which RMBS | 0 | 22,150 | 612 | – | 22,762 |
| of which CMBS | 0 | 5,293 | 257 | – | 5,550 |
| of which CDO | 0 | 3,185 | 1,421 | – | 4,606 |
| Equity | 86,333 | 6,395 | 1,566 | – | 94,294 |
| Derivatives | 4,467 | 615,639 | 6,823 | (588,917) | 38,012 |
| of which interest rate products | 1,616 | 466,890 | 1,803 | – | – |
| of which foreign exchange products | 118 | 89,101 | 301 | – | – |
| of which equity/index-related products | 2,711 | 26,644 | 1,063 | – | – |
| of which credit derivatives | 0 | 24,451 | 2,569 | – | – |
| Other | 2,986 | 7,122 | 4,326 | – | 14,434 |
| Trading assets | 125,723 | 687,145 | 17,180 | (588,917) | 241,131 |
| Debt | 2,368 | 315 | 0 | – | 2,683 |
| of which foreign governments | 2,066 | 0 | 0 | – | 2,066 |
| of which corporates | 0 | 313 | 0 | – | 313 |
| Equity | 2 | 103 | 3 | – | 108 |
| Investment securities | 2,370 | 418 | 3 | – | 2,791 |
| Private equity | 0 | 0 | 1,286 | – | 1,286 |
| of which equity funds | 0 | 0 | 585 | – | 585 |
| Hedge funds | 0 | 219 | 314 | – | 533 |
| of which debt funds | 0 | 181 | 302 | – | 483 |
| Other equity investments | 77 | 75 | 1,849 | – | 2,001 |
| of which private | 0 | 70 | 1,850 | – | 1,920 |
| Life finance instruments | 0 | 0 | 1,834 | – | 1,834 |
| Other investments | 77 | 294 | 5,283 | – | 5,654 |
| Loans | 0 | 13,560 | 9,353 | – | 22,913 |
| of which commercial and industrial loans | 0 | 5,816 | 5,853 | – | 11,669 |
| of which financial institutions | 0 | 6,227 | 1,494 | – | 7,721 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 70 | – | 70 |
| Other assets | 2,457 | 23,489 | 7,468 | (1,094) | 32,320 |
| of which loans held-for-sale | 0 | 16,107 | 6,851 | – | 22,958 |
| **Total assets at fair value** | **156,656** | **830,241** | **39,434** | **(590,011)** | **436,320** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (75) | (133) | (821) | – | (1,029) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (9,123) | (3,155) | – | (12,278) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **156,581** | **820,985** | **35,458** | **(590,011)** | **423,013** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2014 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 823 | 0 | – | 823 |
| Customer deposits | 0 | 3,161 | 100 | – | 3,261 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 54,732 | 0 | – | 54,732 |
| Debt | 121 | 781 | 0 | – | 902 |
| of which corporates | 0 | 745 | 0 | – | 745 |
| Equity | 25,908 | 44 | 0 | – | 25,952 |
| Obligation to return securities received as collateral | 26,029 | 825 | 0 | – | 26,854 |
| Debt | 11,678 | 4,914 | 1 | – | 16,593 |
| of which foreign governments | 11,530 | 757 | 0 | – | 12,287 |
| of which corporates | 21 | 3,917 | 1 | – | 3,939 |
| Equity | 19,060 | 122 | 2 | – | 19,184 |
| Derivatives | 4,594 | 619,787 | 6,414 | (593,917) | 36,878 |
| of which interest rate products | 1,585 | 458,894 | 1,202 | – | – |
| of which foreign exchange products | 234 | 101,461 | 560 | – | – |
| of which equity/index-related products | 2,744 | 26,746 | 1,466 | – | – |
| of which credit derivatives | 0 | 23,479 | 2,760 | – | – |
| Trading liabilities | 35,332 | 624,823 | 6,417 | (593,917) | 72,655 |
| Short-term borrowings | 0 | 3,766 | 95 | – | 3,861 |
| Long-term debt | 0 | 66,558 | 14,608 | – | 81,166 |
| of which treasury debt over two years | 0 | 8,616 | 0 | – | 8,616 |
| of which structured notes over two years | 0 | 31,083 | 10,267 | – | 41,350 |
| of which non-recourse liabilities | 0 | 10,126 | 2,952 | – | 13,078 |
| Other liabilities | 0 | 14,795 | 3,363 | (1,220) | 16,938 |
| of which failed sales | 0 | 652 | 616 | – | 1,268 |
| **Total liabilities at fair value** | **61,361** | **769,483** | **24,583** | **(595,137)** | **260,290** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

### Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 2015, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers from trading assets were primarily in exchange traded derivatives and equity as prices became observable. The transfers from trading liabilities were primarily in exchange traded derivatives as prices became observable.

In 2015, transfers out of level 1 to level 2 were primarily from trading assets. The transfers were primarily in equity for which suitable closing prices were unobtainable as of the end of 2015.

### Transfers between level 1 and level 2

| in | 2015 | | 2014 | |
|---|---|---|---|---|
| | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 85 | 187 | 1,108 | 533 |
| Equity | 566 | 1,257 | 513 | 391 |
| Derivatives | 4,328 | 24 | 5,785 | 500 |
| **Trading assets** | **4,979** | **1,468** | **7,406** | **1,424** |
| **Liabilities (CHF million)** | | | | |
| Debt | 108 | 79 | 861 | 658 |
| Equity | 85 | 139 | 133 | 90 |
| Derivatives | 4,552 | 114 | 6,073 | 87 |
| **Trading liabilities** | **4,745** | **332** | **7,067** | **835** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 2015 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 77 | 0 | (41) | 0 |
| Securities received as collateral | 0 | 0 | 0 | 4 |
| Debt | 4,465 | 1,591 | (1,463) | 2,950 |
| of which corporates | 1,435 | 823 | (467) | 1,281 |
| of which RMBS | 612 | 492 | (615) | 1,064 |
| of which CMBS | 257 | 127 | (83) | 207 |
| of which CDO | 1,421 | 72 | (252) | 379 |
| Equity | 1,566 | 749 | (702) | 1,228 |
| Derivatives | 6,823 | 2,310 | (1,243) | 0 |
| of which interest rate products | 1,803 | 53 | (282) | 0 |
| of which equity/index-related products | 1,063 | 530 | (362) | 0 |
| of which credit derivatives | 2,569 | 1,574 | (599) | 0 |
| Other | 4,326 | 1,157 | (896) | 4,085 |
| Trading assets | 17,180 | 5,807 | (4,304) | 8,263 |
| Investment securities | 3 | 8 | (97) | 320 |
| Equity | 3,449 | 1 | (424) | 240 |
| Life finance instruments | 1,834 | 0 | 0 | 201 |
| Other investments | 5,283 | 1 | (424) | 441 |
| Loans | 9,353 | 1,347 | (1,153) | 686 |
| of which commercial and industrial loans | 5,853 | 985 | (365) | 69 |
| of which financial institutions | 1,494 | 329 | (266) | 296 |
| Other intangible assets (mortgage servicing rights) | 70 | 0 | 0 | 18 |
| Other assets | 7,468 | 4,025 | (3,937) | 4,244 |
| of which loans held-for-sale [2] | 6,851 | 4,016 | (3,841) | 4,137 |
| **Total assets at fair value** | **39,434** | **11,188** | **(9,956)** | **13,976** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 100 | 12 | (16) | 0 |
| Obligation to return securities received as collateral | 0 | 0 | 0 | 4 |
| Trading liabilities | 6,417 | 2,515 | (1,891) | 63 |
| of which interest rate derivatives | 1,202 | 109 | (400) | 0 |
| of which foreign exchange derivatives | 560 | 19 | (36) | 0 |
| of which equity/index-related derivatives | 1,466 | 297 | (796) | 0 |
| of which credit derivatives | 2,760 | 1,860 | (628) | 0 |
| Short-term borrowings | 95 | 98 | (37) | 0 |
| Long-term debt | 14,608 | 2,603 | (4,819) | 0 |
| of which structured notes over two years | 10,267 | 1,117 | (3,293) | 0 |
| of which non-recourse liabilities | 2,952 | 1,197 | (902) | 0 |
| Other liabilities | 3,363 | 249 | (1,240) | 184 |
| of which failed sales | 616 | 14 | (18) | 132 |
| **Total liabilities at fair value** | **24,583** | **5,477** | **(8,003)** | **251** |
| **Net assets/(liabilities) at fair value** | **14,851** | **5,711** | **(1,953)** | **13,725** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.
[2] Includes unrealized losses recorded in trading revenues of CHF (308) million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| 0 | 259 | (141) | 0 | 0 | 0 | 0 | 4 | 158 |
| (4) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (2,974) | 0 | 0 | (30) | 221 | 0 | 0 | (196) | 4,564 |
| (1,388) | 0 | 0 | (17) | 189 | 0 | 0 | (110) | 1,746 |
| (772) | 0 | 0 | (6) | 29 | 0 | 0 | 10 | 814 |
| (265) | 0 | 0 | (2) | (24) | 0 | 0 | (2) | 215 |
| (364) | 0 | 0 | (6) | 51 | 0 | 0 | (3) | 1,298 |
| (1,087) | 0 | 0 | (34) | (228) | 0 | 0 | (5) | 1,487 |
| 0 | 1,493 | (3,875) | 11 | (545) | 0 | 0 | (143) | 4,831 |
| 0 | 304 | (719) | 6 | (341) | 0 | 0 | (33) | 791 |
| 0 | 366 | (680) | 10 | 32 | 0 | 0 | (23) | 936 |
| 0 | 405 | (1,776) | (5) | (547) | 0 | 0 | (53) | 1,568 |
| (4,276) | 0 | (292) | (7) | 182 | 0 | 0 | (13) | 4,266 |
| (8,337) | 1,493 | (4,167) | (60) | (370) | 0 | 0 | (357) | 15,148 |
| (102) | 0 | (36) | 6 | 39 | 0 | 0 | 7 | 148 |
| (829) | 0 | 0 | 0 | (18) | 70 | 59 | (159) | 2,389 |
| (361) | 0 | 0 | 0 | (1) | 0 | 0 | (4) | 1,669 |
| (1,190) | 0 | 0 | 0 | (19) | 70 | 59 | (163) | 4,058 |
| (1,055) | 3,519 | (3,371) | 1 | (207) | (4) | (14) | (152) | 8,950 |
| (687) | 2,205 | (2,072) | 1 | (85) | (4) | (14) | (151) | 5,735 |
| (213) | 811 | (639) | 0 | (85) | 0 | 0 | 2 | 1,729 |
| 0 | 0 | 0 | 0 | 9 | 0 | 14 | 1 | 112 |
| (3,691) | 784 | (1,309) | (8) | (208) | 0 | (5) | (276) | 7,087 |
| (3,410) | 784 | (1,309) | (13) | (178) | 0 | (3) | (266) | 6,768 |
| **(14,379)** | **6,055** | **(9,024)** | **(61)** | **(756)** | **66** | **54** | **(936)** | **35,661** |
| 0 | 213 | (28) | 0 | (18) | 0 | 0 | (9) | 254 |
| (4) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (57) | 1,460 | (3,098) | 20 | (697) | 0 | (18) | (99) | 4,615 |
| 0 | 140 | (343) | 13 | (127) | 0 | 0 | (16) | 578 |
| 0 | 20 | (76) | 1 | (151) | 0 | 0 | (8) | 329 |
| 0 | 689 | (349) | 48 | 3 | 0 | 0 | (11) | 1,347 |
| 0 | 330 | (2,098) | (43) | (362) | 0 | 0 | (62) | 1,757 |
| 0 | 371 | (442) | (1) | (10) | 0 | 0 | (2) | 72 |
| 0 | 7,386 | (4,874) | (16) | (801) | 0 | (5) | 41 | 14,123 |
| 0 | 5,464 | (3,104) | (7) | (566) | 0 | 0 | 46 | 9,924 |
| 0 | 912 | (807) | (3) | (148) | 0 | 0 | (4) | 3,197 |
| (218) | 10 | (245) | 11 | 18 | 8 | 408 | (57) | 2,491 |
| (127) | 0 | 0 | 2 | (160) | 0 | 0 | (5) | 454 |
| **(279)** | **9,440** | **(8,687)** | **14** | **(1,508)** | **8** | **385** | **(126)** | **21,555** |
| **(14,100)** | **(3,385)** | **(337)** | **(75)** | **752** | **58** | **(331)** | **(810)** | **14,106** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 2014 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | 0 | (151) | 0 |
| Debt | 5,069 | 1,260 | (3,018) | 5,554 |
| of which corporates | 2,128 | 392 | (756) | 1,161 |
| of which RMBS | 436 | 625 | (676) | 732 |
| of which CMBS | 417 | 105 | (392) | 415 |
| of which CDO | 1,567 | 112 | (697) | 2,593 |
| Equity | 595 | 939 | (469) | 727 |
| Derivatives | 5,217 | 2,156 | (1,168) | 0 |
| of which interest rate products | 1,574 | 70 | (40) | 0 |
| of which equity/index-related products | 1,240 | 132 | (534) | 0 |
| of which credit derivatives | 1,138 | 1,891 | (575) | 0 |
| Other | 2,829 | 863 | (878) | 4,168 |
| Trading assets | 13,710 | 5,218 | (5,533) | 10,449 |
| Investment securities | 2 | 0 | 0 | 0 |
| Equity | 5,369 | 2 | (22) | 774 |
| Life finance instruments | 1,600 | 0 | 0 | 204 |
| Other investments | 6,969 | 2 | (22) | 978 |
| Loans | 7,998 | 500 | (601) | 1,024 |
| of which commercial and industrial loans | 5,309 | 253 | (349) | 368 |
| of which financial institutions | 1,322 | 156 | (163) | 16 |
| Other intangible assets (mortgage servicing rights) | 42 | 0 | 0 | 29 |
| Other assets | 6,159 | 3,165 | (3,205) | 7,852 |
| of which loans held-for-sale | 5,615 | 3,154 | (3,174) | 7,486 |
| **Total assets at fair value** | **35,084** | **8,885** | **(9,512)** | **20,332** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 55 | 0 | 0 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | 0 | (127) | 0 |
| Trading liabilities | 5,564 | 2,471 | (1,655) | 36 |
| of which interest rate derivatives | 1,129 | 56 | (109) | 0 |
| of which foreign exchange derivatives | 938 | 0 | (2) | 0 |
| of which equity/index-related derivatives | 1,896 | 478 | (941) | 0 |
| of which credit derivatives | 1,230 | 1,906 | (587) | 0 |
| Short-term borrowings | 165 | 67 | (74) | 0 |
| Long-term debt | 9,780 | 2,441 | (3,475) | 0 |
| of which structured notes over two years | 6,217 | 1,468 | (1,931) | 0 |
| of which non-recourse liabilities | 2,552 | 924 | (1,007) | 0 |
| Other liabilities | 2,861 | 121 | (133) | 530 |
| of which failed sales | 1,143 | 76 | (50) | 292 |
| **Total liabilities at fair value** | **18,539** | **5,100** | **(5,464)** | **566** |
| **Net assets/(liabilities) at fair value** | **16,545** | **3,785** | **(4,048)** | **19,766** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24 | 77 |
| (5,435) | 0 | 0 | (60) | 535 | 0 | 0 | 560 | 4,465 |
| (2,004) | 0 | 0 | (68) | 402 | 0 | 0 | 180 | 1,435 |
| (659) | 0 | 0 | 11 | 81 | 0 | 0 | 62 | 612 |
| (282) | 0 | 0 | 0 | (58) | 0 | 0 | 52 | 257 |
| (2,402) | 0 | 0 | (8) | 61 | 0 | 0 | 195 | 1,421 |
| (554) | 0 | 0 | 35 | 196 | 0 | 0 | 97 | 1,566 |
| 0 | 2,330 | (3,334) | 110 | 941 | 0 | 0 | 571 | 6,823 |
| 0 | 197 | (574) | 13 | 393 | 0 | 0 | 170 | 1,803 |
| 0 | 405 | (417) | 120 | (26) | 0 | 0 | 143 | 1,063 |
| 0 | 536 | (899) | (28) | 379 | 0 | 0 | 127 | 2,569 |
| (3,288) | 0 | (201) | 17 | 404 | 0 | 0 | 412 | 4,326 |
| (9,277) | 2,330 | (3,535) | 102 | 2,076 | 0 | 0 | 1,640 | 17,180 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 3 |
| (3,551) | 0 | 0 | 0 | 22 | 0 | 531 | 324 | 3,449 |
| (333) | 0 | 0 | 0 | 179 | 0 | 0 | 184 | 1,834 |
| (3,884) | 0 | 0 | 0 | 201 | 0 | 531 | 508 | 5,283 |
| (2,012) | 4,878 | (3,168) | 3 | (173) | 0 | (2) | 906 | 9,353 |
| (1,098) | 3,346 | (2,428) | 1 | (118) | 0 | (4) | 573 | 5,853 |
| (422) | 943 | (482) | 0 | (33) | 0 | 5 | 152 | 1,494 |
| 0 | 0 | 0 | 0 | (7) | 0 | 0 | 6 | 70 |
| (6,713) | 845 | (1,448) | 165 | (5) | 0 | 0 | 653 | 7,468 |
| (6,382) | 845 | (1,448) | 169 | (2) | 0 | (1) | 589 | 6,851 |
| **(21,886)** | **8,053** | **(8,151)** | **270** | **2,092** | **0** | **529** | **3,738** | **39,434** |
| 0 | 45 | (19) | 0 | 16 | 0 | 0 | 3 | 100 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 0 |
| (39) | 1,526 | (2,778) | 251 | 469 | 0 | 0 | 572 | 6,417 |
| 0 | 72 | (499) | 1 | 429 | 0 | 0 | 123 | 1,202 |
| 0 | 5 | (239) | (4) | (205) | 0 | 0 | 67 | 560 |
| 0 | 656 | (890) | 273 | (201) | 0 | 0 | 195 | 1,466 |
| 0 | 473 | (885) | (16) | 496 | 0 | 0 | 143 | 2,760 |
| 0 | 382 | (456) | (3) | 0 | 0 | 0 | 14 | 95 |
| 0 | 8,432 | (3,870) | 144 | (338) | 0 | 0 | 1,494 | 14,608 |
| 0 | 5,930 | (2,027) | (6) | (406) | 0 | 0 | 1,022 | 10,267 |
| 0 | 1,170 | (1,153) | 155 | 10 | 0 | 0 | 301 | 2,952 |
| (1,215) | 649 | (233) | 11 | 114 | 3 | 361 | 294 | 3,363 |
| (949) | 0 | 0 | 0 | 29 | 0 | (2) | 77 | 616 |
| **(1,254)** | **11,034** | **(7,356)** | **403** | **261** | **3** | **361** | **2,390** | **24,583** |
| **(20,632)** | **(2,981)** | **(795)** | **(133)** | **1,831** | **(3)** | **168** | **1,348** | **14,851** |

**Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)**

| in | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | 677 | (273) | **404** [1] | 1,698 | 165 | **1,863** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | 80 | 13 | **93** | (834) | 18 | **(816)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

### Transfers in and out of level 3

Transfers into level 3 assets during 2015 were CHF 11,188 million, primarily from trading assets and loans held-for-sale. The transfers were primarily in the corporate credit, equity derivatives and emerging market businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2015 were CHF 9,956 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit, equity derivatives and alternative investment businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

Transfers into level 3 assets during 2014 were CHF 8,885 million, primarily from trading assets and loans held-for-sale. The transfers were primarily in the corporate credit and alternative investment businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2014 were CHF 9,512 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit, alternative investment, emerging markets, securitized products and prime services businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

### Qualitative disclosures of valuation techniques

#### Overview

The Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the Group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee (VARMC) and the Audit Committee. The VARMC, which is comprised of Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Group's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever

possible, observable market data which may include executed transactions, dealer quotes or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilizes independent pricing service data as part of its review process. Independent pricing service data is analyzed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilization of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The Group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. This sensitivity analysis is an internal mechanism to monitor the impact of reasonable alternative inputs or prices for level 3 financial instruments. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilized to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instruments, Front Office professional judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the tables “Quantitative information about level 3 assets at fair value” and “Quantitative information about level 3 liabilities at fair value”.

### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

### Debt securities

#### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorized as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity’s capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price, correlation and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

### CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate and discount rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity, discount rate and credit spread. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

## Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include market comparable price, earnings before interest, taxes, depreciation and amortization (EBITDA) multiple and volatility.

## Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

The valuation of derivatives includes an adjustment for the cost of funding uncollateralized OTC derivatives.

### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility skew, prepayment rate, credit spread, basis spread, mean reversion, funding spread and gap risk.

### Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

### Equity and index-related derivatives

Equity derivatives include a variety of products ranging from vanilla options and swaps to exotic structures with bespoke payoff profiles. The main inputs in the valuation of equity derivatives may include price, volatility, EBITDA multiple, buyback probability and correlation.

Generally, the interrelationship between the volatility and correlation is positively correlated.

### Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are

valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation and funding spread. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

#### Other trading assets

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of market implied life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual-specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

### Other investments

#### Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published NAVs. Most of these investments are classified as level 3 of the fair value hierarchy, as there are restrictions imposed upon the redemption of the funds at their NAV in the near term. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not in line with the fund's observable market data, it is probable that the investment will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

#### Life finance instruments

Life finance instruments include SPIA and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

### Loans

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a loan pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value

of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available.

Accrual based loans in the Group's private, corporate and institutional banking businesses, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

### Deposits

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

### Short-term borrowings and long-term debt

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buyback probability, gap risk, correlation, volatility, credit spread and price.

Generally, the interrelationships between volatility, correlation, gap risk and credit spread inputs are positively correlated.

### Other liabilities

#### Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

### Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of EBITDA multiple, market implied life expectancy (for life finance instruments), correlation, price, volatility, volatility skew, funding spread and recovery rate, in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of market implied life expectancy (for life settlement and premium finance instruments), capitalization rate, discount rate, prepayment rate, mean reversion and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input gap risk would increase the fair value. An increase in the significant unobservable input basis spread and buyback probability would decrease the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

### Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

### Quantitative information about level 3 assets at fair value

| end of 2015 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | Discounted cash flow | Funding spread, in bp | 350 | 475 | 361 |
| Debt | 4,564 | | | | | |
| of which corporates | 1,746 | | | | | |
| of which | 240 | Option model | Correlation, in % | (87) | 99 | 17 |
| of which | 836 | Market comparable | Price, in % | 0 | 128 | 29 |
| of which | 285 | Discounted cash flow | Credit spread, in bp | 134 | 1,408 | 493 |
| of which RMBS | 814 | Discounted cash flow | Discount rate, in % | 1 | 36 | 8 |
| | | | Prepayment rate, in % | 0 | 27 | 9 |
| | | | Default rate, in % | 0 | 20 | 3 |
| | | | Loss severity, in % | 0 | 100 | 50 |
| of which CMBS | 215 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 0 | 23 | 8 |
| | | | Prepayment rate, in % | 0 | 16 | 3 |
| | | | Default rate, in % | 0 | 32 | 1 |
| | | | Loss severity, in % | 0 | 75 | 4 |
| of which CDO | 1,298 | | | | | |
| of which | 66 | Vendor price | Price, in % | 0 | 100 | 96 |
| of which | 329 | Discounted cash flow | Discount rate, in % | 1 | 25 | 11 |
| | | | Prepayment rate, in % | 0 | 20 | 14 |
| | | | Credit spread, in bp | 293 | 336 | 309 |
| | | | Default rate, in % | 0 | 10 | 2 |
| | | | Loss severity, in % | 0 | 100 | 46 |
| of which | 807 | Market comparable | Price, in % | 214 | 214 | 214 |
| Equity | 1,487 | | | | | |
| of which | 342 | Option model | Volatility, in % | 2 | 253 | 29 |
| of which | 471 | Market comparable | EBITDA multiple | 3 | 12 | 8 |
| | | | Price, in % | 0 | 202 | 96 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2015<br>CHF million, except where indicated | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| Derivatives | 4,831 | | | | | |
| of which interest rate products | 791 | Option model | Correlation, in % | 17 | 100 | 63 |
| | | | Prepayment rate, in % | 1 | 36 | 16 |
| | | | Volatility skew, in % | (8) | 0 | (2) |
| | | | Mean reversion, in % [2] | 5 | 10 | 10 |
| | | | Credit spread, in bp | 130 | 1,687 | 330 |
| of which equity/index-related products | 936 | | | | | |
| of which | 778 | Option model | Correlation, in % | (87) | 99 | 23 |
| | | | Volatility, in % | 0 | 253 | 26 |
| of which | 109 | Market comparable | EBITDA multiple | 4 | 10 | 7 |
| | | | Price, in % | 97 | 97 | 97 |
| of which credit derivatives | 1,568 | Discounted cash flow | Credit spread, in bp | 1 | 2,349 | 331 |
| | | | Recovery rate, in % | 0 | 60 | 23 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 35 | 6 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 43 | 97 | 85 |
| | | | Prepayment rate, in % | 0 | 12 | 4 |
| | | | Funding spread, in bp | 61 | 68 | 67 |
| Other | 4,266 | | | | | |
| of which | 2,859 | Market comparable | Price, in % | 0 | 106 | 45 |
| of which | 865 | Discounted cash flow | Market implied life expectancy, in years | 3 | 18 | 8 |
| Trading assets | 15,148 | | | | | |
| Investment securities | 148 | – | – | – | – | – |
| Private equity | 1,042 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Hedge funds | 197 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Other equity investments | 1,150 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Life finance instruments | 1,669 | Discounted cash flow | Market implied life expectancy, in years | 2 | 20 | 8 |
| Other investments | 4,058 | | | | | |
| Loans | 8,950 | | | | | |
| of which commercial and industrial loans | 5,735 | | | | | |
| of which | 3,799 | Discounted cash flow | Credit spread, in bp | 70 | 2,528 | 474 |
| of which | 1,146 | Market comparable | Price, in % | 0 | 106 | 65 |
| of which financial institutions | 1,729 | | | | | |
| of which | 1,451 | Discounted cash flow | Credit spread, in bp | 84 | 826 | 359 |
| of which | 109 | Market comparable | Price, in % | 0 | 100 | 98 |
| Other intangible assets (mortgage servicing rights) | 112 | – | – | – | – | – |
| Other assets | 7,087 | | | | | |
| of which loans held-for-sale | 6,768 | | | | | |
| of which | 3,594 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 722 | Discounted cash flow | Credit spread, in bp | 99 | 3,220 | 515 |
| | | | Recovery rate, in % | 1 | 1 | 1 |
| of which | 2,251 | Market comparable | Price, in % | 0 | 104 | 76 |
| **Total level 3 assets at fair value** | **35,661** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2014 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 77 | Discounted cash flow | Funding spread, in bp | 350 | 350 | 350 |
| Debt | 4,465 | | | | | |
| of which corporates | 1,435 | | | | | |
| of which | 201 | Option model | Correlation, in % | (88) | 97 | 17 |
| | | | Buyback probability, in % [2] | 50 | 100 | 68 |
| of which | 180 | Market comparable | Price, in % | 0 | 124 | 67 |
| of which | 1,051 | Discounted cash flow | Credit spread, in bp | 9 | 1,644 | 361 |
| of which RMBS | 612 | Discounted cash flow | Discount rate, in % | 1 | 31 | 9 |
| | | | Prepayment rate, in % | 0 | 29 | 8 |
| | | | Default rate, in % | 1 | 19 | 3 |
| | | | Loss severity, in % | 0 | 100 | 50 |
| of which CMBS | 257 | Discounted cash flow | Capitalization rate, in % | 7 | 10 | 8 |
| | | | Discount rate, in % | 0 | 28 | 9 |
| | | | Prepayment rate, in % | 0 | 20 | 12 |
| | | | Default rate, in % | 0 | 21 | 1 |
| | | | Loss severity, in % | 0 | 35 | 3 |
| of which CDO | 1,421 | | | | | |
| of which | 89 | Vendor price | Price, in % | 0 | 100 | 95 |
| of which | 286 | Discounted cash flow | Discount rate, in % | 3 | 23 | 7 |
| | | | Prepayment rate, in % | 0 | 20 | 17 |
| | | | Default rate, in % | 0 | 7 | 2 |
| | | | Loss severity, in % | 3 | 100 | 35 |
| of which | 837 | Market comparable | Price, in % | 93 | 196 | 191 |
| Equity | 1,566 | | | | | |
| of which | 765 | Market comparable | EBITDA multiple | 3 | 13 | 9 |
| | | | Price, in % | 1 | 163 | 51 |
| of which | 26 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

[2] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2014 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 6,823 | | | | | |
| of which interest rate products | 1,803 | Option model | Correlation, in % | 9 | 100 | 76 |
| | | | Prepayment rate, in % | 0 | 33 | 24 |
| | | | Volatility skew, in % | (9) | 3 | (1) |
| | | | Mean reversion, in % [2] | 5 | 10 | 10 |
| | | | Credit spread, in bp | 229 | 1,218 | 1,046 |
| of which equity/index-related products | 1,063 | Option model | Correlation, in % | (88) | 97 | 8 |
| | | | Volatility, in % | 0 | 276 | 27 |
| of which credit derivatives | 2,569 | Discounted cash flow | Credit spread, in bp | 1 | 6,087 | 614 |
| | | | Recovery rate, in % | 0 | 75 | 20 |
| | | | Discount rate, in % | 1 | 38 | 18 |
| | | | Default rate, in % | 1 | 43 | 7 |
| | | | Loss severity, in % | 10 | 100 | 65 |
| | | | Correlation, in % | 46 | 97 | 83 |
| | | | Prepayment rate, in % | 0 | 9 | 4 |
| | | | Funding spread, in bp | 51 | 106 | 80 |
| Other | 4,326 | | | | | |
| of which | 3,493 | Market comparable | Price, in % | 0 | 104 | 50 |
| of which | 770 | Discounted cash flow | Market implied life expectancy, in years | 3 | 20 | 9 |
| Trading assets | 17,180 | | | | | |
| Investment securities | 3 | – | – | – | – | – |
| Private equity | 1,286 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Hedge funds | 314 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Other equity investments | 1,849 | | | | | |
| of which private | 1,850 | | | | | |
| of which | 337 | Discounted cash flow | Contingent probability, in % | 69 | 69 | 69 |
| of which | 1,051 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Life finance instruments | 1,834 | Discounted cash flow | Market implied life expectancy, in years | 2 | 21 | 8 |
| Other investments | 5,283 | | | | | |
| Loans | 9,353 | | | | | |
| of which commercial and industrial loans | 5,853 | | | | | |
| of which | 5,011 | Discounted cash flow | Credit spread, in bp | 34 | 2,528 | 462 |
| | | | Recovery rate, in % | 0 | 100 | 68 |
| of which | 650 | Market comparable | Price, in % | 0 | 100 | 82 |
| of which financial institutions | 1,494 | Discounted cash flow | Credit spread, in bp | 60 | 813 | 304 |
| Other intangible assets (mortgage servicing rights) | 70 | – | – | – | – | – |
| Other assets | 7,468 | | | | | |
| of which loans held-for-sale | 6,851 | | | | | |
| of which | 2,654 | Vendor price | Price, in % | 0 | 109 | 99 |
| of which | 1,321 | Discounted cash flow | Credit spread, in bp | 146 | 2,047 | 334 |
| | | | Recovery rate, in % | 1 | 39 | 30 |
| of which | 2,430 | Market comparable | Price, in % | 0 | 100 | 67 |
| **Total level 3 assets at fair value** | **39,434** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

## Quantitative information about level 3 liabilities at fair value

| end of 2015 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 254 | – | – | – | – | – |
| Trading liabilities | 4,615 | | | | | |
| of which interest rate derivatives | 578 | Option model | Basis spread, in bp | (7) | 53 | 25 |
| | | | Correlation, in % | 17 | 100 | 75 |
| | | | Mean reversion, in % [2] | 5 | 10 | 8 |
| | | | Prepayment rate, in % | 0 | 36 | 9 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 329 | Option model | Correlation, in % | (10) | 70 | 54 |
| | | | Prepayment rate, in % | 24 | 36 | 30 |
| of which equity/index-related derivatives | 1,347 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 26 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| of which credit derivatives | 1,757 | Discounted cash flow | Credit spread, in bp | 1 | 1,687 | 275 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 33 | 5 |
| | | | Recovery rate, in % | 8 | 60 | 27 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 17 | 95 | 80 |
| | | | Funding spread, in bp | 51 | 68 | 68 |
| | | | Prepayment rate, in % | 0 | 12 | 5 |
| Short-term borrowings | 72 | – | – | – | – | – |
| Long-term debt | 14,123 | | | | | |
| of which structured notes over two years | 9,924 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 28 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| | | | Gap risk, in % [3] | 0 | 3 | 1 |
| | | | Credit spread, in bp | 153 | 182 | 177 |
| of which non-recourse liabilities | 3,197 | | | | | |
| of which | 3,183 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 14 | Market comparable | Price, in % | 0 | 87 | 9 |
| Other liabilities | 2,491 | | | | | |
| of which failed sales | 454 | | | | | |
| of which | 379 | Market comparable | Price, in % | 0 | 106 | 90 |
| of which | 68 | Discounted cash flow | Credit spread, in bp | 571 | 1,687 | 1,425 |
| | | | Discount rate, in % | 7 | 23 | 15 |
| **Total level 3 liabilities at fair value** | **21,555** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[4] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.

## Quantitative information about level 3 liabilities at fair value (continued)

| end of 2014 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 100 | – | – | – | – | – |
| Trading liabilities | 6,417 | | | | | |
| of which interest rate derivatives | 1,202 | Option model | Basis spread, in bp | (11) | 85 | 44 |
| | | | Correlation, in % | 9 | 100 | 78 |
| | | | Mean reversion, in % [2] | 5 | 10 | 9 |
| | | | Prepayment rate, in % | 0 | 33 | 21 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| of which foreign exchange derivatives | 560 | Option model | Correlation, in % | (10) | 70 | 50 |
| | | | Prepayment rate, in % | 22 | 33 | 28 |
| of which equity/index-related derivatives | 1,466 | Option model | Correlation, in % | (88) | 97 | 17 |
| | | | Skew, in % | 44 | 260 | 110 |
| | | | Volatility, in % | 1 | 276 | 27 |
| | | | Buyback probability, in % [4] | 50 | 100 | 68 |
| of which credit derivatives | 2,760 | Discounted cash flow | Credit spread, in bp | 1 | 6,087 | 508 |
| | | | Discount rate, in % | 2 | 34 | 17 |
| | | | Default rate, in % | 1 | 43 | 7 |
| | | | Recovery rate, in % | 0 | 75 | 28 |
| | | | Loss severity, in % | 10 | 100 | 65 |
| | | | Correlation, in % | 9 | 94 | 57 |
| | | | Funding spread, in bp | 51 | 82 | 64 |
| | | | Prepayment rate, in % | 0 | 12 | 4 |
| Short-term borrowings | 95 | – | – | – | – | – |
| Long-term debt | 14,608 | | | | | |
| of which structured notes over two years | 10,267 | | | | | |
| of which | 8,002 | Option model | Correlation, in % | (88) | 99 | 18 |
| | | | Volatility, in % | 4 | 276 | 30 |
| | | | Buyback probability, in % [4] | 50 | 100 | 68 |
| | | | Gap risk, in % [3] | 0 | 3 | 0 |
| of which | 515 | Discounted cash flow | Credit spread, in bp | 228 | 597 | 455 |
| of which non-recourse liabilities | 2,952 | | | | | |
| of which | 2,766 | Vendor price | Price, in % | 0 | 109 | 99 |
| of which | 90 | Market comparable | Price, in % | 0 | 100 | 7 |
| Other liabilities | 3,363 | | | | | |
| of which failed sales | 616 | | | | | |
| of which | 450 | Market comparable | Price, in % | 0 | 103 | 63 |
| of which | 124 | Discounted cash flow | Credit spread, in bp | 852 | 1,286 | 912 |
| | | | Recovery rate, in % | 39 | 39 | 39 |
| **Total level 3 liabilities at fair value** | **24,583** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[4] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.

### Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above results in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

#### Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any

given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low ⌬ PD or guaranteed timely payment of principal and interest, while the higher end of the range relates to collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates, while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary from collateral pool to collateral pool, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and volatility skew

Volatility and its skew are both impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility may vary significantly between different underlying currencies and expiration dates on the options. Similarly, in the case of equity derivatives, the volatility attributed to a structure may vary depending upon the underlying reference name on the derivative.

Market implied life expectancy

Market implied life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA, and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of the insured.

Price

Bond equivalent price is a primary significant unobservable input for multiple products. Where market prices are not available for an instrument, benchmarking may be utilized to identify comparable issues (same industry and similar product mixes) while adjustments are considered for differences in deal terms and performance.

Buyback probability

Buyback probability is the probability assigned to structured notes being unwound prior to their legal maturity.

Gap risk

Gap risk is the primary significant unobservable input for fund-linked Constant Proportion Portfolio Insurance products and structures where the payoff may be sensitive to discontinuity in the hedging portfolio.

Mean reversion

Mean reversion is the primary significant unobservable input for callable constant maturity swap (CMS) spread exotics and represents the idea that prices and returns eventually move back towards the historical average.

Funding spread

Funding spread is the primary significant unobservable input for special purpose vehicle funding facilities. Synthetic funding curves which represent the assets pledged as collateral are used to value structured financing transactions. The curves provide an estimate of where secured funding can be sourced and are expressed as a basis point spread in relation to the referenced benchmark rate.

Capitalization rate

Capitalization rate is the primary significant unobservable input for CMBS loans and is used to estimate the potential return on investment. This is done by dividing the yearly income by the total value of the property.

Basis spread

Basis spread is the primary significant unobservable input for non-callable constant maturity treasury-CMS products and is used to

determine interest rate risk as a result of differing lending and borrowing rates.

EBITDA multiple

EBITDA multiple is a primary significant unobservable input for some equity deals which are benchmarked using industry comparables. The EBITDA multiple may be preferred over other measures because it is normalized for differences between the accounting policies of similar companies.

**Fair value measurements of investments in certain entities that calculate NAV per share**

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which is generally up to 10 years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

**Fair value, unfunded commitments and term of redemption conditions**

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 2 | 0 | 2 | 0 | 7 | 106 | 113 | 0 |
| Equity funds | 79 | 1,606 [1] | 1,685 | 0 | 102 | 1,842 [2] | 1,944 | 0 |
| Equity funds sold short | 0 | (6) | (6) | 0 | 0 | (42) | (42) | 0 |
| Total funds held in trading assets and liabilities | 81 | 1,600 | 1,681 | 0 | 109 | 1,906 | 2,015 | 0 |
| Debt funds | 184 | 76 | 260 | 1 | 296 | 187 | 483 | 1 |
| Equity funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 35 | 35 | 0 | 0 | 50 | 50 | 0 |
| Hedge funds | 184 | 111 [3] | 295 | 1 | 296 | 237 [4] | 533 | 1 |
| Debt funds | 11 | 0 | 11 | 17 | 17 | 0 | 17 | 15 |
| Equity funds | 437 | 0 | 437 | 115 | 585 | 0 | 585 | 123 |
| Real estate funds | 282 | 0 | 282 | 76 | 302 | 0 | 302 | 98 |
| Others | 312 | 0 | 312 | 141 | 382 | 0 | 382 | 158 |
| Private equities | 1,042 | 0 | 1,042 | 349 | 1,286 | 0 | 1,286 | 394 |
| Equity method investments [5] | 660 | 196 | 856 | 100 | 1,196 | 157 | 1,353 | 220 |
| Total funds held in other investments [5] | 1,886 | 307 | 2,193 | 450 | 2,778 | 394 | 3,172 | 615 |
| **Total fair value** [5] | **1,967** [6] | **1,907** [7] | **3,874** | **450** [8] | **2,887** [6] | **2,300** [7] | **5,187** | **615** [8] |

[1] 40% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 31% is redeemable on an annual basis with a notice period of more than 60 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 6% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[2] 42% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 28% is redeemable on an annual basis with a notice period of more than 60 days, 16% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 14% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[3] 87% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, 5% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

[4] 87% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, and 11% is redeemable on an annual basis with a notice period of more than 60 days.

[5] Prior period has been corrected.

[6] Includes CHF 464 million and CHF 612 million attributable to noncontrolling interests in 2015 and 2014, respectively.

[7] Includes CHF 9 million and CHF 138 million attributable to noncontrolling interests in 2015 and 2014, respectively.

[8] Includes CHF 176 million and CHF 185 million attributable to noncontrolling interests in 2015 and 2014, respectively.

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use.

### Nonrecurring fair value changes

| end of | 2015 | 2014 |
|---|---|---|
| **Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.1** | **1.4** |
| of which level 2 | 0.1 | 1.2 |
| of which level 3 | 0.0 | 0.2 |

## FAIR VALUE OPTION

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in the investment banking businesses and International Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

The Group elected fair value for certain of its financial statement captions as follows:

### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

The Group has elected to account for structured resale agreements and most matched book resale agreements at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. The Group did not elect the fair value option for firm financing resale agreements as these agreements are generally overnight agreements which approximate fair value, but which are not managed on a fair value basis.

### Other investments

The Group has elected to account for certain equity method investments at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. Certain similar instruments, such as those relating to equity method investments in strategic relationships, for example, the Group's ownership interest in certain clearance organizations, which were eligible for the fair value option, were not elected due to the strategic relationship.

### Loans

The Group has elected to account for substantially all commercial loans and loan commitments from the investment banking businesses and certain emerging market loans from the investment banking businesses at fair value. These activities are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes. Additionally, recognition on a fair value basis eliminates the mismatch that existed due to the economic hedging the Group employs to manage these loans. Certain similar loans, such as project finance, lease finance, cash collateralized and some bridge loans, which were eligible for the fair value option, were not elected due to the lack of currently available infrastructure to fair value such loans and/or the inability to economically hedge such loans. Additionally, the Group elected not to account for loans granted by its private, corporate and institutional banking businesses at fair value, such as domestic consumer lending, mortgages and corporate loans, as these loans are not managed on a fair value basis.

### Other assets

The Group elected the fair value option for loans held-for-sale, due to the short period over which such loans are held and the intention to sell such loans in the near term. Other assets also include assets of VIEs and mortgage securitizations which do not meet the criteria for sale treatment under US GAAP. The Group did elect the fair value option for these types of transactions.

### Due to banks

The Group elected the fair value option for certain time deposits associated with its emerging markets activities.

### Customer deposits

The Group's customer deposits include fund-linked deposits. The Group elected the fair value option for these fund-linked deposits. Fund-linked products are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes.

### Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions

The Group has elected to account for structured repurchase agreements and most matched book repurchase agreements at fair value. These activities are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes. The Group did not elect the fair value option for firm financing repurchase agreements as these agreements are generally overnight agreements which approximate fair value, but which are not managed on a fair value basis.

### Short-term borrowings

The Group's short-term borrowings include hybrid debt instruments with embedded derivative features. Some of these embedded derivative features create bifurcatable debt instruments. The Group elected the fair value option for some of these instruments as of January 1, 2006, in accordance with the provisions of US GAAP. New bifurcatable debt instruments which were entered into in 2006 are carried at fair value. Some hybrid debt instruments do not result in bifurcatable debt instruments. US GAAP permits the Group to elect fair value accounting for non-bifurcatable hybrid debt instruments. With the exception of certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value, the Group has elected to account for all hybrid debt instruments held as of January 1, 2007, and hybrid debt instruments originated after January 1, 2007, at fair value. These activities are managed on a fair value basis and fair value accounting was deemed appropriate for reporting purposes. There are two main populations of similar instruments for which fair value accounting was not elected. The first relates to the lending business transacted by the Group's private, corporate and institutional banking businesses, which includes structured deposits and similar investment products. These are managed on a bifurcated or accrual basis and fair value accounting was not considered appropriate. The second is where the instruments were or will be maturing in the near term and their fair value will be realized at that time.

### Long-term debt

The Group's long-term debt includes hybrid debt instruments with embedded derivative features as described above in Short-term borrowings. The Group's long-term debt also includes debt issuances managed by its Treasury department that do not contain derivative features (vanilla debt). The Group actively manages the interest rate risk on these instruments with derivatives. In particular, fixed-rate debt is hedged with receive-fixed, pay-floating interest rate swaps. The Group elected to fair value this fixed-rate debt upon implementation of the fair value option on January 1, 2007, with changes in fair value recognized as a component of trading revenues. The Group did not elect to apply the fair value option to fixed-rate debt issued by the Group since January 1, 2008, and instead applies hedge accounting per the guidance of US GAAP.

### Other liabilities

Other liabilities include liabilities of VIEs and mortgage securitizations which do not meet the criteria for sale treatment under US GAAP. The Group did elect the fair value option for these types of transactions.

### Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 1,628 | 5,019 | (3,391) | 1,147 | 3,816 | (2,669) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 2 | 2 | 0 | 0 | 0 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 83,565 | 83,397 | 168 | 104,283 | 104,027 | 256 |
| Loans | 20,820 | 22,289 | (1,469) | 22,913 | 23,782 | (869) |
| Other assets [1] | 23,906 | 30,308 | (6,402) | 26,088 | 33,091 | (7,003) |
| Due to banks and customer deposits | (913) | (826) | (87) | (914) | (873) | (41) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (32,398) | (32,381) | (17) | (54,732) | (54,661) | (71) |
| Short-term borrowings | (3,112) | (3,263) | 151 | (3,861) | (3,918) | 57 |
| Long-term debt | (80,931) | (85,335) | 4,404 | (81,166) | (81,322) | 156 |
| Other liabilities | (984) | (2,619) | 1,635 | (1,268) | (2,767) | 1,499 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| | Net gains/ (losses) | Net gains/ (losses) | Net gains/ (losses) |
| **Financial instruments (CHF million)** | | | |
| Interest-bearing deposits with banks | 2 [1] | 8 [1] | 10 [1] |
| of which related to credit risk | (1) | (2) | (3) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,279 [1] | 913 [1] | 1,143 [1] |
| Other investments | 242 [3] | 370 [3] | 126 [3] |
| of which related to credit risk | 0 | 5 | 11 |
| Loans | 439 [1] | 10 [2] | 1,470 [1] |
| of which related to credit risk | (236) | (151) | 26 |
| Other assets | 111 [1] | 1,302 [1] | 2,058 [1] |
| of which related to credit risk | (511) | 387 | 604 |
| Due to banks and customer deposits | 4 [2] | (59) [2] | 0 |
| of which related to credit risk | 19 | (17) | (5) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 55 [2] | 205 [2] | (67) [1] |
| Short-term borrowings | 439 [2] | 152 [2] | (256) [2] |
| Long-term debt | 5,317 [2] | 858 [2] | (2,759) [2] |
| of which related to credit risk [4] | 207 | 599 | (384) |
| Other liabilities | 316 [3] | (169) [2] | 441 [2] |
| of which related to credit risk | (93) | (156) | 112 |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Primarily recognized in other revenues.
[4] Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF (108) million and CHF 261 million in 2015, respectively, CHF 336 million and CHF 261 million in 2014, respectively, and CHF (268) million and CHF (111) million in 2013, respectively.

Interest income and expense are calculated based on contractual rates specified in the transactions. Interest income and expense are recorded in the consolidated statements of operations depending on the nature of the instrument and related market convention. When interest is included as a component of the change in the instrument's fair value, it is included in trading revenues. Otherwise, it is included in interest and dividend income or interest expense. Dividend income is recognized separately from trading revenues.

The impacts of credit risk on debt securities held as assets presented in the table above have been calculated as the component of the total change in fair value, excluding the impact of changes in base or risk-free interest rates. The impacts of changes in own credit risk on liabilities presented in the table above have been calculated as the difference between the fair values of those instruments as of the reporting date and the theoretical fair values of those instruments calculated by using the yield curve prevailing at the end of the reporting period, adjusted up or down for changes in the Group's own credit spreads from the transition date to the reporting date.

## FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheet. The disclosure excludes all non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations.

### Carrying value and fair value of financial instruments not carried at fair value

| | Carrying value | Fair value | | | |
|---|---|---|---|---|---|
| end of | | Level 1 | Level 2 | Level 3 | Total |
| **2015 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 39,485 | 0 | 39,485 | 0 | 39,485 |
| Loans | 248,326 | 0 | 250,639 | 6,150 | 256,789 |
| Other financial assets [1] | 148,491 | 92,547 | 54,359 | 1,893 | 148,799 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 359,614 | 206,475 | 153,545 | 0 | 360,020 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 14,200 | 0 | 14,401 | 0 | 14,401 |
| Short-term borrowings | 5,546 | 0 | 5,545 | 0 | 5,545 |
| Long-term debt | 116,676 | 0 | 117,321 | 778 | 118,099 |
| Other financial liabilities [2] | 63,921 | 32 | 63,440 | 578 | 64,050 |
| **2014 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 58,925 | 0 | 58,925 | 0 | 58,925 |
| Loans | 245,866 | 0 | 248,969 | 3,678 | 252,647 |
| Other financial assets [1] | 148,473 | 80,520 | 66,714 | 1,579 | 148,813 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 390,984 | 217,482 | 173,501 | 0 | 390,983 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 15,387 | 0 | 15,387 | 0 | 15,387 |
| Short-term borrowings | 22,061 | 0 | 22,064 | 0 | 22,064 |
| Long-term debt | 96,732 | 0 | 97,105 | 1,201 | 98,306 |
| Other financial liabilities [2] | 85,066 | 15 | 84,336 | 586 | 84,937 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 36 Assets pledged and collateral

### Assets pledged

The Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are parenthetically disclosed on the consolidated balance sheet.

### Assets pledged

| end of | **2015** | 2014 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 137,330 | 153,982 |
| of which encumbered | 91,278 | 103,245 |

### Collateral

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Group was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | **2015** | 2014 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 422,269 | 444,852 |
| of which sold or repledged | 186,132 | 218,752 [1] |

[1] Prior period has been corrected.

### Other information

| end of | **2015** | 2014 |
|---|---|---|
| **Other information (CHF million)** | | |
| Cash and securities restricted under foreign banking regulations | 24,592 | 26,286 |
| Swiss National Bank required minimum liquidity reserves | 2,014 | 2,202 |

## 37 Capital adequacy

The Group is subject to regulation by FINMA. The capital levels of the Group are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. Since January 2013, the Group has operated under the international capital adequacy standards known as Basel III, as issued by the BCBS, the standard setting committee within the Bank for International Settlements (BIS). These standards have affected the measurement of both total eligible capital and risk-weighted assets. The Group has based its capital adequacy calculations on US GAAP, as permitted by FINMA Circular 2008/34.

According to FINMA and BIS capital requirements, total regulatory capital is comprised of the following categories: CET1 capital, tier 1 capital and tier 2 capital. CET1 capital consists of total shareholders' equity, regulatory adjustments, including a cumulative dividend accrual, and certain adjustments subject to phase in, including an adjustment for the accounting treatment of pension plans. Tier 1 capital consists of CET1 capital and additional tier 1 capital, which includes high-trigger and low-trigger capital instruments, certain instruments subject to phase out and deductions from additional tier 1 capital. Deductions from tier 1 capital during the phase-in period include, among other items, goodwill and intangible assets and gains/(losses) due to changes in own credit risks on fair valued financial liabilities that will be deducted from CET1 capital once Basel III is fully implemented. Tier 1 capital is supplemented for capital adequacy purposes by tier 2 capital, which consists primarily of unsecured, subordinated instruments that are senior only to tier 1 instruments. The sum of tier 1 capital and tier 2 capital equals total eligible capital.

Risk-weighted assets include consolidated balance sheet assets, net positions in securities not held in the trading portfolio, off-balance sheet transactions converted into credit equivalents, market positions in the trading portfolio and operational risk from processes, people, systems and external events.

As of December 31, 2015 and 2014, the Group was adequately capitalized under the regulatory provisions outlined under both FINMA and BIS guidelines.

### BIS statistics – Basel III

| end of | 2015 | 2014 |
|---|---|---|
| **Eligible capital (CHF million)** | | |
| CET1 capital | 42,072 | 43,322 |
| Additional tier 1 capital | 10,991 | 6,482 |
| **Tier 1 capital** | 53,063 | 49,804 |
| Tier 2 capital | 9,619 | 10,947 |
| **Total eligible capital** | **62,682** | **60,751** |
| **Risk-weighted assets (CHF million)** | | |
| Credit risk | 193,198 | 192,663 |
| Market risk | 29,799 | 34,468 |
| Operational risk | 66,438 | 58,413 |
| Non-counterparty risk | 5,515 | 5,866 |
| **Risk-weighted assets** | **294,950** | **291,410** |
| **Capital ratios (%)** | | |
| CET1 ratio | 14.3 | 14.9 |
| Tier 1 ratio | 18.0 | 17.1 |
| Total capital ratio | 21.3 | 20.8 |

### Broker-dealer operations

Certain Group broker-dealer subsidiaries are also subject to capital adequacy requirements. As of December 31, 2015 and 2014, the Group and its subsidiaries, with one exception in 2014, complied with all applicable regulatory capital adequacy requirements. As of December 31, 2014, due to an operational delay in the return of cash collateral from an affiliate, CS Capital LLC was left with an unsecured receivable that led to a capital charge of the same amount. The capital charge resulted in CS Capital LLC failing to meet the minimum net capital requirement as of December 31, 2014. On January 2, 2015, the cash collateral was returned to CS Capital LLC and the net capital deficiency was cured.

### Dividend restrictions

Certain of the Group's subsidiaries are subject to legal restrictions governing the amount of dividends they can pay (for example, pursuant to corporate law as defined by the Swiss Code of Obligations).

Under the Swiss Code of Obligations, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. The reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after shareholder approval at the Annual General Meeting.

As of December 31, 2015 and 2014, the Group was not subject to restrictions on its ability to pay the proposed dividends.

## 38 Assets under management

The following disclosure provides information regarding client assets, assets under management and net new assets as regulated by FINMA.

### Assets under management

Effective as of July 1, 2015, the Group updated its assets under management policy primarily to introduce more specific criteria and indicators to evaluate whether client assets qualify as assets under management. The introduction of this updated policy resulted in a reclassification of CHF 46.4 billion of assets under management to assets under custody within client assets which has been reflected as a structural effect in the third quarter of 2015.

Assets under management include assets for which the Group 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 Group. The classification of assets under management is conditional upon the nature of the services provided by the Group 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 Group must currently or in the foreseeable future expect to provide a service where the involvement of the Group'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 Group 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 asset inflows or outflows.

A portion of the Group'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 Group. Specifically, double counting primarily results from the investment of assets under management in collective investment instruments managed by the Group. The extent of double counting is disclosed in the following table.

### Assets under management

| end of | **2015** | 2014 |
|---|---|---|
| **Assets under management (CHF billion)** | | |
| Assets in collective investment instruments managed by Credit Suisse | 186.9 | 157.2 |
| Assets with discretionary mandates | 223.1 | 271.8 |
| Other assets under management | 804.1 | 939.7 |
| **Assets under management (including double counting)** | **1,214.1** | **1,368.7** |
| of which double counting | 48.0 | 47.4 |

## Changes in assets under management

| | 2015 | 2014 |
|---|---|---|
| **Assets under management (CHF billion)** | | |
| **Assets under management at beginning of period** [1] | **1,368.7** | **1,277.6** |
| Net new assets/(net asset outflows) | 46.9 [2] | 27.9 [3] |
| Market movements, interest, dividends and foreign exchange | (26.9) | 92.5 |
| of which market movements, interest and dividends [4] | 9.8 | 43.6 |
| of which foreign exchange | (36.7) | 48.9 |
| Other effects | (174.6) [2, 5] | (29.3) |
| **Assets under management at end of period** | **1,214.1** | **1,368.7** |

[1] Including double counting.
[2] Updated since the 4Q15 Earnings Release to reflect a reclassification within the components of the growth in assets under management.
[3] Includes CHF (2.0) billion net asset outflows from discontinued operations.
[4] Net of commissions and other expenses and net of interest expenses charged.
[5] Effective as of July 1, 2015, the Group updated its assets under management policy primarily to introduce more specific criteria and indicators to evaluate whether client assets qualify as assets under management. The introduction of this updated policy resulted in a reclassification of CHF 46.4 billion of assets under management to assets under custody within client assets, which was reflected as a structural effect in the third quarter of 2015.

### 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 Group'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.

### Divisional allocation

Assets under management and net new assets for private banking businesses (within Swiss Universal Bank, International Wealth Management and Asia Pacific divisions), the Corporate & Institutional Banking business (within Swiss Universal Bank) and the Strategic Resolution Unit are allocated based on the management areas (business areas) that effectively manage the assets. The distribution of net new assets resulting from internal referral arrangements is governed under the net new asset referral framework, which includes preset percentages for the allocation of net new assets to the businesses.

The allocation of assets under management and net new assets for Asset Management (within Internal Wealth Management) reflects the location where the investment vehicles are managed and where the costs of managing the funds are incurred.

## 39 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses, including those disclosed below. Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Group accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

The specific matters described below include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters below includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed below the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The following table presents a roll forward of the Group's aggregate litigation provisions.

### Litigation provisions

| | 2015 |
|---|---|
| CHF million | |
| **Balance at beginning of period** | **1,022** |
| Increase in litigation accruals | 1,255 |
| Decrease in litigation accruals | (134) |
| Decrease for settlements and other cash payments | (541) |
| Foreign exchange translation | 3 |
| **Balance at end of period** | **1,605** |

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed below for which the Group believes an estimate is possible is zero to CHF 2.2 billion.

After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

**Enron-related litigation**

Two Enron-related actions remain pending against CSS LLC and certain of its affiliates, both in the US District Court for the Southern District of Texas. In these actions, plaintiffs assert they relied on Enron's financial statements, and seek to hold the defendants responsible for any inaccuracies in Enron's financial statements. In Connecticut Resources Recovery Authority v. Lay, et al., the plaintiff seeks to recover from multiple defendants, pursuant to the Connecticut Unfair Trade Practices Act and Connecticut state common law, approximately USD 130 million to USD 180 million in losses it allegedly suffered in a business transaction it entered into with Enron. A motion to dismiss is pending. In Silvercreek Management Inc. v. Citigroup, Inc., et al., the plaintiff seeks to assert federal and state law claims relating to its alleged USD 280 million in losses relating to its Enron investments. A motion to dismiss is pending. On November 9, 2015, the plaintiff moved for the court to suggest to the Judicial Panel on Multidistrict Litigation (JPML) that the JPML remand the case to the US District Court for Southern District of New York (SDNY). That motion is also pending.

**Mortgage-related matters**

Various financial institutions, including CSS LLC and certain of its affiliates, have received requests for information from certain regulators and/or government entities, including several members of the RMBS Working Group of the US Financial Fraud Enforcement Task Force, regarding the origination, purchase, securitization, servicing and trading of subprime and non-subprime residential and commercial mortgages and related issues. CSS LLC and its affiliates are cooperating with such requests.

Following an investigation, on November 20, 2012, the New York Attorney General (NYAG), on behalf of the State of New York, filed a civil action in the Supreme Court for the State of New York, New York County (SCNY) against CSS LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The action, which references 64 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors regarding the due diligence and quality control performed on the mortgage loans underlying the RMBS at issue, and seeks an unspecified amount of damages. On December 18, 2013, the New Jersey Attorney General, on behalf of the State of New Jersey (NJAG), filed a civil action in the Superior Court of New Jersey, Chancery Division, Mercer County (SCNJ), against CSS LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The action, which references 13 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors and engaged in fraud or deceit in connection with the offer and sale of RMBS, and seeks an unspecified amount of damages. On August 21, 2014, the SCNJ dismissed without prejudice the action brought against CSS LLC and its affiliates by the NJAG. On September 4, 2014, the NJAG filed an amended complaint against CSS LLC and its affiliates, asserting additional allegations but not expanding the number of claims or RMBS referenced in the original complaint. All actions are at early procedural points.

On September 16, 2014, the Commonwealth of Virginia (Commonwealth), on behalf of the Virginia Retirement System, filed an action against CSS LLC and other financial institutions in Virginia state court relating to an unstated amount of RMBS at issue in connection with losses allegedly incurred by the Virginia Retirement System. On October 16, 2014, the Commonwealth's claims against CSS LLC and other financial institutions based on offerings issued by affiliates of Countrywide Securities Corporation were removed to the US District Court for the Eastern District of Virginia. The Commonwealth's other claims against CSS LLC and other financial institutions were pending in Virginia state court. On January 21, 2016, following a settlement, a notice of dismissal with prejudice was filed with the US District Court for the Eastern District of Virginia, which was entered by the court on January 26, 2016, discontinuing the action brought by the Commonwealth pending in the federal court relating to an unstated amount of RMBS. In addition, on January 21, 2016, following the same settlement, an agreed order of dismissal with prejudice was filed in the Virginia state court presiding in the action brought by the Commonwealth, and on January 28, 2016, the Virginia state court dismissed with prejudice all claims against CSS LLC relating to an unstated amount of RMBS. Thus, both actions are dismissed.

CSS LLC and/or certain of its affiliates have also been named as defendants in various civil litigation matters related to their roles as issuer, sponsor, depositor, underwriter and/or servicer of RMBS transactions. These cases include or have included class action lawsuits, actions by individual investors in RMBS, actions by monoline insurance companies that guaranteed payments of principal and interest for certain RMBS, and repurchase actions by RMBS trusts, trustees and/or investors. Although the allegations vary by lawsuit, plaintiffs in the class actions and individual investor actions have generally alleged that the offering documents of securities issued by various RMBS securitization trusts contained material misrepresentations and omissions, including statements regarding the underwriting standards pursuant to which the underlying mortgage loans were issued; monoline insurers allege that loans that collateralize RMBS they insured breached representations and warranties made with respect to the loans at the time of securitization and that they were fraudulently induced to enter into the transactions; and repurchase action plaintiffs generally allege breached representations and warranties in respect of mortgage loans and failure to repurchase such mortgage loans as required under the applicable agreements. The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance. Further, unless otherwise stated, amounts attributable to an "operative pleading" for the individual investor actions are not altered for settlements, dismissals or other

occurrences, if any, that may have caused the amounts to change subsequent to the operative pleading. In addition to the mortgage-related actions discussed below, a number of other entities have threatened to assert claims against CSS LLC and/or its affiliates in connection with various RMBS issuances, and CSS LLC and/or its affiliates have entered into agreements with some of those entities to toll the relevant statutes of limitations.

### Class action litigations

In class actions and putative class actions against CSS LLC as an underwriter of other issuers' RMBS offerings, CSS LLC generally has or had contractual rights to indemnification from the issuers. However, some of these issuers are now defunct, including affiliates of IndyMac Bancorp (IndyMac). With respect to IndyMac, CSS LLC was named as a defendant in a class action, In re IndyMac Mortgage-Backed Securities Litigation, in the SDNY, brought on behalf of purchasers of securities in various IndyMac RMBS offerings. CSS LLC and five other underwriter defendants agreed to a settlement of the IndyMac class action for a total of USD 340 million. In an order dated September 30, 2014, the SDNY granted preliminary approval to the settlement and held a final approval hearing on February 3, 2015. On February 23, 2015, the SDNY entered a final judgment and order of dismissal with prejudice, discontinuing the In re IndyMac Mortgage-Backed Securities Litigation. A further class action lawsuit pending in the SDNY against CSS LLC and certain affiliates and employees, New Jersey Carpenters Health Fund v. Home Equity Mortgage Trust 2006-5, relates to two RMBS offerings, totaling approximately USD 1.6 billion, sponsored and underwritten by the Credit Suisse defendants. On March 17, 2014, the SDNY granted plaintiffs' motion for class certification for the second of the two RMBS offerings, having previously certified the class for purchasers of the first offering. The parties have agreed to a settlement of USD 110 million. In an order dated January 6, 2016, the SDNY granted preliminary approval of the settlement, which is still subject to final approval.

### Individual investor actions

CSS LLC and, in some instances, its affiliates, as an RMBS issuer, underwriter and/or other participant, and in some instances its employees, along with other defendants, are defendants in: one action brought by the Federal Deposit Insurance Corporation (FDIC), as receiver for Citizens National Bank and Strategic Capital Bank in the SDNY, in which claims against CSS LLC and its affiliates relate to approximately USD 28 million of the RMBS at issue (approximately 20% of the USD 141 million at issue against all defendants in the operative pleading); such claims were dismissed in their entirety on March 24, 2015 by an SDNY order, which was appealed on April 7, 2015 by the FDIC; four actions brought by the FDIC, as receiver for Colonial Bank: one dismissed action in the SDNY, which is now on appeal, in which claims against CSS LLC relate to approximately USD 92 million of the RMBS at issue (approximately 23% of the USD 394 million at issue against all defendants in the operative pleading), one action in the Circuit Court of Montgomery County, Alabama, in which claims against CSS LLC and its affiliates relate to approximately USD 153 million of the RMBS at issue (approximately 49% of the USD 311 million at issue against all defendants in the operative pleading), and one action previously pending in the US District Court for the Central District of California that was subsequently transferred to the US District Court for the Middle District of Alabama, in which claims against CSS LLC relate to approximately USD 34 million of the RMBS at issue (approximately 12% of the USD 283 million at issue against all defendants in the operative pleading) and which has a trial scheduled to begin in October 2016, and one dismissed action in the US District Court for the Central District of California, which is now on appeal, in which claims against CSS LLC relate to approximately USD 12 million of the RMBS at issue (approximately 5% of the USD 259 million at issue against all defendants in the operative pleading); four individual actions brought by the Federal Home Loan Banks of Seattle, San Francisco and Boston in various state and federal courts, in which claims against CSS LLC and its affiliates relate to approximately USD 249 million in the Seattle action, which has a trial scheduled to begin in July 2016, approximately USD 1.7 billion in the San Francisco actions (approximately 18% of the USD 9.5 billion at issue against all defendants in the operative pleadings, reduced to reflect the dismissal of certain certificates) which has a trial scheduled to begin in August 2016, and USD 333 million, reduced from USD 373 million following the October 27, 2015 stipulation of voluntary dismissal with prejudice of claims pertaining to certain RMBS offerings, including RMBS offerings on which CSS LLC and its affiliates were sued, in the Boston action (approximately 6% of the USD 5.7 billion at issue against all defendants in the operative pleading); two actions brought by Massachusetts Mutual Life Insurance Company in the US District Court for the District of Massachusetts, in which claims against CSS LLC and its employees relate to approximately USD 107 million of the RMBS at issue (approximately 97% of the USD 110 million at issue against all defendants in the operative pleadings); one action brought by Watertown Savings Bank in the SCNY, in which claims against CSS LLC and its affiliates relate to an unstated amount of the RMBS at issue; and one action brought by the Texas County and District Retirement System in Texas state court, in which claims against CSS LLC relate to an unstated amount of the RMBS at issue. In addition, on February 6, 2015, Tennessee Consolidated Retirement System filed an action against CSS LLC and other financial institutions in Tennessee state court relating to an unstated amount of RMBS at issue. On June 22, 2015, Tennessee Consolidated Retirement System filed an amended complaint relating to approximately USD 24 million of RMBS at issue against CSS LLC (approximately 4% of the USD 644 million at issue against all defendants in the operative pleading).

CSS LLC and certain of its affiliates and/or employees are the only defendants named in: one action brought by CMFG Life Insurance Company and affiliated entities in the US District Court for the Western District of Wisconsin, in which claims against CSS

LLC relate to approximately USD 70 million of RMBS; one action brought by Deutsche Zentral-Genossenschaftsbank AG, New York Branch in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 111 million of RMBS; one action brought by IKB Deutsche Industriebank AG and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 97 million of RMBS; two actions brought by the National Credit Union Administration Board: one as liquidating agent of the US Central Federal Credit Union, Western Corporate Federal Credit Union and Southwest Corporate Federal Credit Union in the US District Court for the District of Kansas, in which claims against CSS LLC and its affiliate relate to approximately USD 311 million of RMBS, for which the US District Court for the District of Kansas issued an order vacating its prior partial dismissal of the action, increasing the RMBS at issue for CSS LLC and its affiliates from approximately USD 311 million to USD 715 million on May 27, 2015, and one as liquidating agent of the Southwest Corporate Federal Credit Union and Members United Corporate Federal Credit Union in the SDNY, in which claims against CSS LLC and its affiliates relate to approximately USD 229 million of RMBS and which has a trial scheduled to begin in June 2016; one action brought by Phoenix Light SF Ltd. and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 362 million of RMBS, which was dismissed in its entirety on April 16, 2015 and is now on appeal; and one action brought by Royal Park Investments SA/NV in the SCNY, in which claims against CSS LLC and its affiliate relate to approximately USD 360 million of RMBS. These actions are at early or intermediate procedural points.

As disclosed in Credit Suisse's quarterly Financial Reports for 2015, individual investor actions discontinued during the course of 2015 included the following: on August 17, 2015, a stipulation of discontinuance with prejudice was filed with the SCNY, discontinuing the action brought by Commerzbank AG London Branch against CSS LLC and its affiliates, in which claims against CSS LLC and its affiliates relate to approximately USD 121 million of the RMBS at issue (approximately 6% of the USD 1.9 billion at issue against all defendants in the operative pleading); on October 9 and 15, 2015, following a settlement, the California state court presiding in an action brought by the Charles Schwab Corporation dismissed with prejudice all claims against CSS LLC and its affiliates relating to USD 100 million of the RMBS at issue against CSS LLC and its affiliates, and dismissed without prejudice the remaining claim against CSS LLC relating to USD 25 million of the RMBS at issue against CSS LLC.

In addition, on December 15, 2015, following a settlement, the US Court of Appeals for the Second Circuit, presiding in the appeal of the action brought by The Union Central Life Insurance Company and affiliated entities (Union Central) in the SDNY, granted the stipulation withdrawing Union Central's appeal of the SDNY's dismissal with prejudice of all claims against CSS LLC and its affiliates and employees, relating to approximately USD 65 million of RMBS. Thus, the entire action is dismissed with prejudice.

### Monoline insurer disputes

CSS LLC and certain of its affiliates are defendants in one monoline insurer action pending in the SCNY commenced by MBIA Insurance Corp. (MBIA) which guaranteed payments of principal and interest related to approximately USD 770 million of RMBS issued in offerings sponsored by Credit Suisse. One theory of liability advanced by MBIA is that an affiliate of CSS LLC must repurchase certain mortgage loans from the trusts at issue. MBIA claims that the vast majority of the underlying mortgage loans breach certain representations and warranties, and that the affiliate has failed to repurchase the allegedly defective loans. In addition, MBIA alleges claims for fraud, fraudulent inducement, material misrepresentations, and breaches of warranties, repurchase obligations, access rights and servicing obligations, and reimbursement. MBIA submitted repurchase demands for loans with an original principal balance of approximately USD 549 million.

In addition, CSS LLC and certain of its affiliates were sued by Assured Guaranty Corp. and Assured Guaranty Municipal Corp. (Assured) which guaranteed payments of principal and interest related to approximately USD 570 million of RMBS issued in offerings sponsored by Credit Suisse and submitted repurchase demands for loans with an original principal balance of approximately USD 2.2 billion. On November 20, 2014, U.S. Bank, National Association, as trustee of six trusts, filed a motion to intervene as it was not previously a party in this action. Following a settlement, on November 25, 2014, a stipulation discontinuing the action brought by Assured was filed in the SCNY. On March 5, 2015, the SCNY denied U.S. Bank, National Association's motion to intervene. Thus, the action is dismissed.

In addition, CIFG Assurance North America, Inc. (CIFG) filed an action against CSS LLC in the SCNY, relating to financial guaranty insurance issued by CIFG on a CDS guaranteeing payment on approximately USD 396 million of notes of a collateralized debt obligation. CIFG alleges material misrepresentation in the inducement of an insurance contract and fraud relating to alleged affirmative misrepresentations and material omissions made to induce CIFG to guarantee the CDS. The SCNY granted CSS LLC's motion to dismiss the action and on May 28, 2015, the Supreme Court of New York, Appellate Division, First Department, issued an order affirming the dismissal.

Further, on November 16, 2015, a stipulation of discontinuance with prejudice was filed with the SCNY, discontinuing the action brought by Financial Guaranty Insurance Company (FGIC) against CSS LLC and one of its affiliates. FGIC guaranteed payments of principal and interest related to approximately USD 240 million of RMBS issued in offerings sponsored by Credit Suisse and had submitted repurchase demands for loans with an original principal balance of approximately USD 37 million.

### Repurchase litigations

DLJ Mortgage Capital, Inc. (DLJ) is a defendant in: one action brought by Asset Backed Securities Corporation Home Equity Loan Trust, Series 2006-HE7, in which plaintiff alleges damages

of not less than USD 341 million which was dismissed without prejudice by order of the SCNY on March 24, 2015, which order was appealed, and which action was re-filed on September 17, 2015; one action brought by Home Equity Asset Trust, Series 2006-8, in which plaintiff alleges damages of not less than USD 436 million; one action brought by Home Equity Asset Trust 2007-1, in which plaintiff alleges damages of not less than USD 420 million; one action brought by Home Equity Asset Trust Series 2007-3, in which plaintiff alleges damages of not less than USD 206 million, which was dismissed without prejudice by order of the SCNY on December 21, 2015, and the plaintiff has one year to refile; one action brought by Asset Backed Securities Corporation Home Equity Loan Trust Series AMQ 2007-HE2, in which no damages amount is alleged, which was dismissed without prejudice by order of the SCNY on April 8, 2015, which order was appealed on May 13, 2015, which appeal was withdrawn on September 18, 2015; one action brought by Home Equity Asset Trust 2007-2, in which plaintiff alleges damages of not less than USD 495 million; and one action brought by CSMC Asset-Backed Trust 2007-NC1, in which no damages amount is alleged. DLJ and its affiliate, Select Portfolio Servicing, Inc. (SPS), are defendants in: one action brought by Home Equity Mortgage Trust Series 2006-1, Home Equity Mortgage Trust Series 2006-3 and Home Equity Mortgage Trust Series 2006-4, in which plaintiffs allege damages of not less than USD 730 million, and allege that SPS obstructed the investigation into the full extent of the defects in the mortgage pools by refusing to afford the trustee reasonable access to certain origination files; and one action brought by Home Equity Mortgage Trust Series 2006-5, in which plaintiff alleges damages of not less than USD 500 million, and alleges that SPS likely discovered DLJ's alleged breaches of representations and warranties but did not notify the trustee of such breaches, in alleged violation of its contractual obligations. These actions are brought in the SCNY and are at early or intermediate procedural points.

As disclosed in Credit Suisse's fourth quarter Financial Report of 2013, the following repurchase actions were dismissed with prejudice in 2013: the three consolidated actions brought by Home Equity Asset Trust 2006-5, Home Equity Asset Trust 2006-6 and Home Equity Asset Trust 2006-7 against DLJ. Those dismissals are on appeal.

**Refco-related litigation**

In March 2008, CSS LLC was named, along with other financial services firms, accountants, lawyers, officers, directors and controlling persons, as a defendant in an action filed in New York state court (later removed to the SDNY) by the Joint Official Liquidators of various SPhinX Funds and the trustee of the SphinX Trust, which holds claims that belonged to PlusFunds Group, Inc. (PlusFunds), the investment manager for the SPhinX Funds. The operative amended complaint asserted claims against CSS LLC for aiding and abetting breaches of fiduciary duty and aiding and abetting fraud by Refco's insiders in connection with Refco's August 2004 notes offering and August 2005 initial public offering. Plaintiffs sought to recover from defendants more than USD 800 million, consisting of USD 263 million that the SphinX Managed Futures Fund, a SPhinX fund, had on deposit and lost at Refco, several hundred million dollars in alleged additional "lost enterprise" damages of PlusFunds, and pre-judgment interest. In November 2008, CSS LLC filed a motion to dismiss the amended complaint. In February 2012, the court granted in part and denied in part the motion to dismiss, which left intact part of plaintiffs' claim for aiding and abetting fraud. In August 2012, CSS LLC filed a motion for summary judgment with respect to the remaining part of plaintiffs' aiding and abetting fraud claim. In December 2012, the court granted the motion, thus dismissing CSS LLC from the case. The court entered a final judgment dismissing the claims against CSS LLC on August 16, 2014 and, on September 16, 2014, plaintiffs appealed to the US Court of Appeals for the Second Circuit. Briefing of the appeal is complete, and oral argument took place on January 7, 2016, with a decision expected later in the year.

**Bank loan litigation**

On January 3, 2010, the Bank and other affiliates were named as defendants in a lawsuit filed in the US District Court for the District of Idaho by current or former homeowners in four real estate developments, Tamarack Resort, Yellowstone Club, Lake Las Vegas and Ginn Sur Mer. The Bank arranged, and was the agent bank for, syndicated loans provided to borrowers affiliated with all four developments, and who have been or are now in bankruptcy or foreclosure. Plaintiffs generally allege that the Bank and other affiliates committed fraud by using an unaccepted appraisal method to overvalue the properties with the intention of having the borrowers take out loans they could not repay because it would allow the Bank and other affiliates to later push the borrowers into bankruptcy and take ownership of the properties. Plaintiffs demanded USD 24 billion in damages. Cushman & Wakefield, the appraiser for the properties at issue, is also named as a defendant. After the filing of amended complaints and motions to dismiss, the claims were significantly reduced. On September 24, 2013, the court denied the plaintiffs' motion for class certification so the case cannot proceed as a class action. On February 5, 2015, the court granted plaintiffs' motion for leave to file an amended complaint, adding additional individual plaintiffs. On April 13, 2015, the court granted plaintiffs' motion for leave to add a claim for punitive damages. On November 20, 2015, the plaintiffs moved for partial summary judgment, which the defendants opposed on December 14, 2015. On December 18, 2015, the defendants filed motions for summary judgment, which are scheduled to be argued in April 2016. The trial is scheduled to begin in August 2016.

The Bank and other affiliates are also the subject of certain other related litigation regarding certain of these loans as well as other similar real estate developments. Such litigation includes two cases brought in Texas and New York state courts against Bank affiliates by entities related to Highland Capital Management LP (Highland). In the case in Texas state court, a jury trial was held in December 2014 on Highland's claim for fraudulent inducement by affirmative misrepresentation and omission. A verdict was issued for the plaintiff on its claim for fraudulent inducement

by affirmative misrepresentation, but the jury rejected its claim that the Bank's affiliates had committed fraudulent inducement by omission. The Texas judge held a bench trial on Highland's remaining claims in May and June 2015, and entered judgment in the amount of USD 287 million (including prejudgment interest) for the plaintiff on September 4, 2015. Both parties have filed notices of appeal from that judgment. In the case in New York state court, the court granted in part and denied in part the Bank's summary judgment motion. Both parties appealed that decision, but the appellate court affirmed the decision in full. Bank affiliates separately sued Highland-managed funds on related trades and received a favorable judgment awarding both principal owed and prejudgment interest. Highland appealed the portion of the judgment awarding prejudgment interest, however the original decision was affirmed in its entirety. The parties have subsequently agreed to settle the amount owed by the Highland-managed funds under the judgment.

**Tax and securities law matters**

On May 19, 2014, Credit Suisse AG entered into settlement agreements with several US regulators regarding its US cross-border matters, including the New York State Department of Financial Services (DFS). As part of the settlement, Credit Suisse AG, among other things, engaged an independent corporate monitor that reports to the DFS (a separate position from the independent consultant agreed to in the settlement with the SEC) and provides ongoing reports to various agencies. Credit Suisse AG is paying for the cost of the monitor.

**Rates-related matters**

Regulatory authorities in a number of jurisdictions, including the US, UK, EU and Switzerland, have for an extended period of time been conducting investigations into the setting of LIBOR and other reference rates with respect to a number of currencies, as well as the pricing of certain related derivatives. These ongoing investigations have included information requests from regulators regarding LIBOR-setting practices and reviews of the activities of various financial institutions, including the Group. The Group, which is a member of three LIBOR rate-setting panels (US Dollar LIBOR, Swiss Franc LIBOR and Euro LIBOR), is cooperating fully with these investigations. In particular, it has been reported that regulators are investigating whether financial institutions engaged in an effort to manipulate LIBOR, either individually or in concert with other institutions, in order to improve market perception of these institutions' financial health and/or to increase the value of their proprietary trading positions. In response to regulatory inquiries, Credit Suisse commissioned a review of these issues. To date, Credit Suisse has seen no evidence to suggest that it is likely to have any material exposure in connection with these issues.

The reference rates investigations have also included information requests from regulators regarding trading activities, information sharing and the setting of benchmark rates in the foreign exchange (including electronic trading), sovereign and agency bonds, and commodities (including precious metals) markets. On March 31, 2014, the Swiss Competition Commission announced a formal investigation of numerous Swiss and international financial institutions, including the Group, in relation to the setting of exchange rates in foreign exchange trading. The Group is cooperating fully with these investigations. The investigations are ongoing and it is too soon to predict the final outcome of the investigations.

In addition, members of the US Dollar LIBOR panel, including Credit Suisse, have been named in various civil lawsuits filed in the US. All but two of these matters have been consolidated for pre-trial purposes into a multi-district litigation in the SDNY. On March 29, 2013, the court dismissed a substantial portion of the case against the panel banks, dismissing the claims under the Racketeer Influenced and Corrupt Organizations Act and the Sherman Antitrust Act, as well as all state law claims, leaving only certain claims under the Commodity Exchange Act based on LIBOR-related instruments entered into after May 30, 2008 (extended to after April 14, 2009 in a subsequent order). Plaintiffs appealed part of the decision, and the federal appeals court heard oral argument on the appeal on November 13, 2015 but has not yet issued a decision. Between April 2013 and November 2015, the SDNY has issued a number of decisions narrowing and defining the scope of the permissible claimants and claims: On August 23, 2013, the SDNY rejected plaintiffs' requests to replead the dismissed causes of action, except for certain of plaintiffs' state law claims, which plaintiffs asserted in amended complaints. In June 2014, the SDNY denied most of defendants' motion to dismiss. On August 4, 2015, the SDNY ruled on certain of defendants' additional motions to dismiss claims brought by plaintiffs not subject to the March 29, 2013 order, and dismissed some of these plaintiffs' claims, including claims under the Racketeer Influenced and Corrupt Organizations Act and the Sherman Antitrust Act, while allowing certain Commodity Exchange Act claims, fraud, breach of contract, and unjust enrichment claims to survive. On November 3, 2015, the SDNY further dismissed purported classes brought by student loan borrowers and lending institutions and allowed certain over-the-counter plaintiffs to amend their complaints to add new plaintiffs to certain claims.

One of the matters not consolidated in the multi district litigation is also in the SDNY, and the SDNY granted the defendants' motion to dismiss on March 31, 2015, but gave plaintiff leave to file a new pleading. On June 1, 2015, plaintiff filed a motion for leave to file a second amended complaint in the SDNY; defendants' opposition brief was filed on July 15, 2015. The other matter has been proceeding in New York state court and plaintiffs agreed to dismiss all claims and the matter has been concluded.

Furthermore, in February 2015, various banks that served on the Swiss franc LIBOR panel, including Credit Suisse Group AG, were named in a civil putative class action lawsuit filed in the SDNY, alleging manipulation of Swiss franc LIBOR to benefit defendants' trading positions. On June 19, 2015, the plaintiffs filed an amended complaint. On August 18, 2015, the defendants filed motions to dismiss.

Additionally, Credit Suisse Group AG and affiliates as well as other financial institutions are named in two pending civil class

action lawsuits in the SDNY relating to the alleged manipulation of foreign exchange rates. On January 28, 2015, the court denied defendants' motion to dismiss the original consolidated complaint brought by US based investors and foreign plaintiffs who transacted in the US, but granted their motion to dismiss the two class actions brought by foreign based investors. In July 2015, plaintiffs filed a second consolidated amended complaint, adding additional defendants and asserting additional claims on behalf of a second putative class of exchange investors. In August 2015, the court consolidated all foreign exchange-related actions pending in the SDNY, except one putative class action alleging violations of the US Employee Retirement Income Security Act of 1974 based on the same alleged conduct. In November 2015, the Group and affiliates, with other financial institutions, filed a motion to dismiss the second consolidated amended complaint. The Group and several affiliates, with other financial institutions, have also been named in two Canadian putative class actions, which make similar allegations.

Credit Suisse AG, New York Branch and other financial institutions have also been named in a pending consolidated civil class action lawsuit relating to the alleged manipulation of the ISDAFIX rate for US dollars in the SDNY. On February 12, 2015, the class plaintiffs filed a consolidated amended class action complaint. On April 13, 2015, the defendants filed a motion to dismiss.

CSS LLC, along with over 20 other primary dealers of US treasury securities, has been named in a number of putative civil class action complaints in the US relating to the US treasury markets. These complaints generally allege that defendants colluded to manipulate US treasury auctions, as well as the pricing of US treasury securities in the when-issued market, with impacts upon related futures and options. These actions have been consolidated into a multi-district litigation in the SDNY. Plaintiffs have not yet filed a consolidated amended complaint.

Credit Suisse Group AG and affiliates, along with other financial institutions, have been named in putative civil class action complaints relating to interest rate swaps. The complaints generally allege that defendants colluded to prevent the development of exchange trading for interest rate swaps.

**CDS-related matters**

In July 2013, the Directorate General for Competition of the European Commission (DG Comp) issued a Statement of Objections to various entities of thirteen CDS dealer banks, certain Markit entities and ISDA in relation to DG Comp's investigation into possible violations of competition law by certain CDS market participants. Certain Credit Suisse entities were among the named bank entities. In December 2015, DG Comp announced that it was closing the proceedings against the Credit Suisse entities and the other dealer banks without a finding of any wrongdoing, although the proceedings would continue against the Markit entities and ISDA.

In addition, certain Credit Suisse entities, as well as other banks and entities, have been named defendants in a consolidated multi-district civil litigation proceeding in the SDNY alleging violations of antitrust law related to CDS. In September 2014, the court overseeing the litigation granted in part and denied in part the defendants' motion to dismiss, which allowed the case to proceed to discovery. On September 30, 2015, Credit Suisse and the other defendants executed agreements with the putative class action plaintiffs to settle this litigation. The court has granted preliminary approval to the settlement agreements and they remain subject to final court approval.

Further, a Credit Suisse entity has received civil investigative demands from the United States Department of Justice.

**Net new assets-related matters**

On February 26, 2014, the United States Senate Permanent Subcommittee on Investigations issued a report that included a discussion of Credit Suisse's determinations about and disclosures of net new assets and, as previously disclosed, Credit Suisse has conducted a review of this topic. The SEC is also conducting an investigation. The disclosure of net new assets is required by banks operating in Switzerland pursuant to Guidelines on Accounting Standards issued by the FINMA.

**Alternative trading systems**

Credit Suisse has been responding to inquiries from various governmental and regulatory authorities concerning the operation of its alternative trading systems, and has been cooperating with those requests. On January 31, 2016 and February 1, 2016, the SEC and NYAG, respectively, announced settlements with Credit Suisse in three such inquiries. Credit Suisse has paid, on a without admitting-or-denying basis, a total of USD 84.3 million as part of a settlement of various matters related to the operation of its US based alternative trading systems and order handling practices, and related disclosures.

**Caspian Energy litigation**

A lawsuit was brought against Credit Suisse International (CSI) in English court by Rosserlane Consultants Limited and Swinbrook Developments Limited. The litigation relates to the forced sale by CSI in 2008 of Caspian Energy Group LP (CEG), the vehicle through which the plaintiffs held a 51% stake in the Kyurovdag oil and gas field in Azerbaijan. CEG was sold for USD 245 million following two unsuccessful merger and acquisition processes. The plaintiffs allege that CEG should have been sold for at least USD 700 million. The trial took place at the end of 2014 and on February 20, 2015, the case was dismissed and judgment given in favor of CSI. The plaintiffs are appealing the judgment.

**ATA litigation**

A lawsuit was filed on November 10, 2014 in the US District Court for the Eastern District of New York against a number of banks, including Credit Suisse AG, alleging claims under the United States Anti-Terrorism Act (ATA). The action alleges a conspiracy between Iran and various international financial institutions, including the defendants, in which they agreed to alter, falsify, or omit information from payment messages that involved Iranian parties for the express purpose of concealing the Iranian parties' financial

activities and transactions from detection by US authorities. The complaint, brought by approximately 200 plaintiffs, alleges that this conspiracy has made it possible for Iran to transfer funds to Hezbollah and other terrorist organizations actively engaged in harming US military personnel and civilians. On March 16, 2015, Credit Suisse AG and the other defendants filed motions to dismiss. On April 2, 2015, the plaintiffs filed an amended complaint. On May 29, 2015, Credit Suisse AG and all other defendants filed motions to dismiss.

**MPS**

In late 2014, the Monte dei Paschi di Siena Foundation (Foundation) filed a lawsuit in the Civil Court of Milan, Italy seeking EUR 3 billion in damages jointly from Credit Suisse Securities (Europe) Limited (CSSEL), Banca Leonardo & Co S.p.A. and former members of the Foundation's management committee. The lawsuit relates to the fairness opinions CSSEL and Banca Leonardo & Co S.p.A. delivered to the Foundation in connection with the EUR 9 billion acquisition of Banca Antonveneta S.p.A. by Banca Monte dei Paschi di Siena S.p.A. (BMPS) in 2008. BMPS funded the acquisition by a EUR 5 billion rights offer and the issuance of unredeemable securities convertible into BMPS shares, in which the Foundation invested EUR 2.9 billion and EUR 490 million, respectively. The Foundation alleges that the fairness opinions were issued in the absence of key financial information. CSSEL believes that the claim lacks merit and is not supported by the available evidence.

**Icelandic banks**

CSSEL is defending clawback claims of USD 16 million and EUR 22 million brought by the Winding Up Committees (WUCs) of the Icelandic banks Kaupthing Bank hf and LBI hf (previously Landsbanki Islands hf) in the District Court of Reykjavik, Iceland. The claims concern the buyback by the Icelandic banks of their own bonds from CSSEL in the months prior to the Icelandic banks' insolvency. The primary basis for the clawback is that the buybacks constituted early repayments of debt to CSSEL. In addition, CSI is defending a EUR 170 million clawback claim brought by the WUC of Kaupthing Bank hf in the District Court of Reykjavik, Iceland. The claim relates to CSI's issuance of ten credit linked notes in 2008, which the WUC is seeking to challenge under various provisions of Icelandic insolvency law in order to claw back funds paid to CSI. The WUCs are also claiming significant penalty interest under Icelandic law in respect of both the CSSEL and CSI claims. CSSEL argues that the buyback transactions are governed by English or New York law and CSI argues that the purchase of the credit linked notes is governed by English law, neither of which provides a legal basis for such clawback actions. In October 2014, the Court of the European Free Trade Association States issued a non-binding decision supporting CSI's and CSSEL's position that the governing law of the transactions is relevant. A trial is currently expected to take place in respect of the CSSEL claims in the second half of 2016 and in respect of the CSI claim in 2017. Separately, CSI is pursuing a claim for USD 226 million in the District Court of Reykjavik, Iceland against Kaupthing Bank hf's WUC in order to enforce certain security rights arising under a 2007 structured trade. CSI acquired the security rights following Kaupthing Bank hf's insolvency in 2008. A trial of this claim is currently expected to take place in 2017.

**Italian investigation**

In Italy, a criminal investigation into allegations of money laundering activities has been initiated against Credit Suisse AG.

**Customer account matters**

Several clients have claimed that a former relationship manager in Switzerland had exceeded his investment authority in the management of their portfolios, resulting in excessive concentrations of certain exposures and investment losses. Credit Suisse AG is investigating the claims, as well as transactions among the clients. Credit Suisse AG filed a criminal complaint against the former relationship manager with the Geneva Prosecutor's Office upon which the prosecutor initiated a criminal investigation. Several clients of the former relationship manager also filed criminal complaints with the Geneva Prosecutor's Office.

**FIFA-related matters**

In connection with investigations by US and Swiss government authorities into the involvement of financial institutions in the alleged bribery and corruption surrounding the Fédération Internationale de Football Association (FIFA), Credit Suisse has received inquiries from these authorities regarding its banking relationships with certain individuals and entities associated with FIFA, including but not limited to certain persons and entities named and/or described in the May 20, 2015 indictment and the November 25, 2015 superseding indictment filed by the Eastern District of New York US Attorney's Office. The US and Swiss authorities are investigating whether multiple financial institutions, including Credit Suisse, permitted the processing of suspicious or otherwise improper transactions, or failed to observe anti-money laundering laws and regulations, with respect to the accounts of certain persons and entities associated with FIFA. Credit Suisse is cooperating with the authorities on this matter.

## 40 Significant subsidiaries and equity method investments

### Significant subsidiaries

| Equity interest in % | Company name | Domicile | Currency | Nominal capital in million |
|---|---|---|---|---|
| **as of December 31, 2015** | | | | |
| | **Credit Suisse Group AG** | | | |
| 100 | BANK-now AG | Horgen, Switzerland | CHF | 30.0 |
| 100 | Credit Suisse AG | Zurich, Switzerland | CHF | 4,399.7 |
| 100 | Credit Suisse Trust AG | Zurich, Switzerland | CHF | 5.0 |
| 100 | Credit Suisse Trust Holdings Limited | St. Peter Port, Guernsey | GBP | 2.0 |
| 100 | CS LP Holding AG | Zug, Switzerland | CHF | 0.1 |
| 100 | Fides Treasury Services AG | Zurich, Switzerland | CHF | 2.0 |
| 100 | Inreska Limited | St. Peter Port, Guernsey | GBP | 3.0 |
| 100 | Neue Aargauer Bank AG | Aarau, Switzerland | CHF | 134.1 |
| 88 | Savoy Hotel Baur en Ville AG | Zurich, Switzerland | CHF | 7.5 |
| | **Credit Suisse AG** | | | |
| 100 | AJP Cayman Ltd. | George Town, Cayman Islands | JPY | 8,025.6 |
| 100 | Asset Management Finance LLC | Wilmington, United States | USD | 341.8 |
| 100 | Banco Credit Suisse (Brasil) S.A. | São Paulo, Brazil | BRL | 53.6 |
| 100 | Banco Credit Suisse (México), S.A. | Mexico City, Mexico | MXN | 1,716.7 |
| 100 | Banco de Investimentos Credit Suisse (Brasil) S.A. | São Paulo, Brazil | BRL | 164.8 |
| 100 | Boston Re Ltd. | Hamilton, Bermuda | USD | 2.0 |
| 100 | CJSC Bank Credit Suisse (Moscow) | Moscow, Russia | USD | 37.8 |
| 100 | Column Financial, Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse (Australia) Limited | Sydney, Australia | AUD | 34.1 |
| 100 | Credit Suisse (Brasil) Distribuidora de Titulos e Valores Mobiliários S.A. | São Paulo, Brazil | BRL | 5.0 |
| 100 | Credit Suisse (Brasil) S.A. Corretora de Titulos e Valores Mobiliários | São Paulo, Brazil | BRL | 98.4 |
| 100 | Credit Suisse (Cayman) Management Limited | George Town, Cayman Islands | USD | 0.0 |
| 100 | Credit Suisse (Channel Islands) Limited | St. Peter Port, Guernsey | USD | 6.1 |
| 100 | Credit Suisse (Deutschland) Aktiengesellschaft | Frankfurt, Germany | EUR | 130.0 |
| 100 | Credit Suisse (Gibraltar) Limited | Gibraltar, Gibraltar | GBP | 5.0 |
| 100 | Credit Suisse (Hong Kong) Limited | Hong Kong, China | HKD | 13,758.0 |
| 100 | Credit Suisse (Italy) S.p.A. | Milan, Italy | EUR | 139.6 |
| 100 | Credit Suisse (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 230.9 |
| 100 | Credit Suisse (Monaco) S.A.M. | Monte Carlo, Monaco | EUR | 18.0 |
| 100 | Credit Suisse (Poland) SP. z o.o | Warsaw, Poland | PLN | 20.0 |
| 100 | Credit Suisse (Qatar) LLC | Doha, Qatar | USD | 29.0 |
| 100 | Credit Suisse (Singapore) Limited | Singapore, Singapore | SGD | 743.3 |
| 100 | Credit Suisse (UK) Limited | London, United Kingdom | GBP | 245.2 |
| 100 | Credit Suisse (USA), Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Asset Management (UK) Holding Limited | London, United Kingdom | GBP | 144.2 |
| 100 | Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft GmbH | Frankfurt, Germany | EUR | 6.1 |
| 100 | Credit Suisse Asset Management International Holding Ltd | Zurich, Switzerland | CHF | 20.0 |
| 100 | Credit Suisse Asset Management Investments Ltd | Zurich, Switzerland | CHF | 0.1 |
| 100 | Credit Suisse Asset Management Limited | London, United Kingdom | GBP | 45.0 |
| 100 | Credit Suisse Asset Management, LLC | Wilmington, United States | USD | 1,086.8 |
| 100 | Credit Suisse Atlas I Investments (Luxembourg) S.à.r.l. | Luxembourg, Luxembourg | USD | 0.0 |
| 100 | Credit Suisse Business Analytics (India) Private Limited | Mumbai, India | INR | 40.0 |
| 100 | Credit Suisse Capital LLC | Wilmington, United States | USD | 937.6 |

## Significant subsidiaries (continued)

| Equity interest in % | Company name | Domicile | Currency | Nominal capital in million |
|---|---|---|---|---|
| 100 | Credit Suisse Energy LLC | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Equities (Australia) Limited | Sydney, Australia | AUD | 62.5 |
| 100 | Credit Suisse Finance (India) Private Limited | Mumbai, India | INR | 1,050.1 |
| 100 | Credit Suisse First Boston (Latam Holdings) LLC | George Town, Cayman Islands | USD | 23.8 |
| 100 | Credit Suisse First Boston Finance B.V. | Amsterdam, The Netherlands | EUR | 0.0 |
| 100 | Credit Suisse First Boston Mortgage Capital LLC | Wilmington, United States | USD | 356.6 |
| 100 | Credit Suisse First Boston Next Fund, Inc. | Wilmington, United States | USD | 10.0 |
| 100 | Credit Suisse Fund Management S.A. | Luxembourg, Luxembourg | CHF | 0.3 |
| 100 | Credit Suisse Fund Services (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 1.5 |
| 100 | Credit Suisse Funds AG | Zurich, Switzerland | CHF | 7.0 |
| 100 | Credit Suisse Group Finance (U.S.) Inc. | Wilmington, United States | USD | 100.0 |
| 100 | Credit Suisse Hedging-Griffo Corretora de Valores S.A. | São Paulo, Brazil | BRL | 29.6 |
| 100 | Credit Suisse Holding Europe (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 32.6 |
| 100 | Credit Suisse Holdings (Australia) Limited | Sydney, Australia | AUD | 42.0 |
| 100 [1] | Credit Suisse Holdings (USA), Inc. | Wilmington, United States | USD | 4,184.7 |
| 100 [2] | Credit Suisse International | London, United Kingdom | USD | 12,366.1 |
| 100 | Credit Suisse Istanbul Menkul Degerler A.S. | Istanbul, Turkey | TRY | 6.8 |
| 100 | Credit Suisse Leasing 92A, L.P. | New York, United States | USD | 43.9 |
| 100 | Credit Suisse Life & Pensions AG | Vaduz, Liechtenstein | CHF | 15.0 |
| 100 | Credit Suisse Life (Bermuda) Ltd. | Hamilton, Bermuda | USD | 1.0 |
| 100 | Credit Suisse Loan Funding LLC | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Management LLC | Wilmington, United States | USD | 896.8 |
| 100 | Credit Suisse Prime Securities Services (USA) LLC | Wilmington, United States | USD | 263.3 |
| 100 | Credit Suisse Principal Investments Limited | George Town, Cayman Islands | JPY | 3,324.0 |
| 100 | Credit Suisse Private Equity, LLC | Wilmington, United States | USD | 42.2 |
| 100 | Credit Suisse PSL GmbH | Zurich, Switzerland | CHF | 0.0 |
| 100 | Credit Suisse Securities (Canada), Inc. | Toronto, Canada | CAD | 3.4 |
| 100 | Credit Suisse Securities (Europe) Limited | London, United Kingdom | USD | 3,859.3 |
| 100 | Credit Suisse Securities (Hong Kong) Limited | Hong Kong, China | HKD | 2,080.9 |
| 100 | Credit Suisse Securities (India) Private Limited | Mumbai, India | INR | 2,214.7 |
| 100 | Credit Suisse Securities (Japan) Limited | Tokyo, Japan | JPY | 78,100.0 |
| 100 | Credit Suisse Securities (Johannesburg) Proprietary Limited | Johannesburg, South Africa | ZAR | 0.0 |
| 100 | Credit Suisse Securities (Malaysia) Sdn. Bhd. | Kuala Lumpur, Malaysia | MYR | 100.0 |
| 100 | Credit Suisse Securities (Moscow) | Moscow, Russia | RUB | 97.1 |
| 100 | Credit Suisse Securities (Singapore) Pte Limited | Singapore, Singapore | SGD | 30.0 |
| 100 | Credit Suisse Securities (Thailand) Limited | Bangkok, Thailand | THB | 500.0 |
| 100 | Credit Suisse Securities (USA) LLC | Wilmington, United States | USD | 1,881.7 |
| 100 | Credit Suisse Services (India) Private Limited | Pune, India | INR | 0.1 |
| 100 | CS Non-Traditional Products Ltd. | Nassau, Bahamas | USD | 0.1 |
| 100 | CSAM Americas Holding Corp. | Wilmington, United States | USD | 0.0 |
| 100 | DLJ Merchant Banking Funding, Inc | Wilmington, United States | USD | 0.0 |
| 100 | DLJ Mortgage Capital, Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Merban Equity AG | Zug, Switzerland | CHF | 0.1 |
| 100 | Merchant Holding, Inc | Wilmington, United States | USD | 0.0 |
| 100 | SPS Holding Corporation | Wilmington, United States | USD | 0.1 |
| 99 | PT Credit Suisse Securities Indonesia | Jakarta, Indonesia | IDR | 235,000.0 |
| 98 | Credit Suisse Hypotheken AG | Zurich, Switzerland | CHF | 0.1 |
| 71 | Credit Suisse Saudi Arabia | Riyadh, Saudi Arabia | SAR | 300.0 |

[1] 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch.
[2] 80% of voting rights and 98% of equity interest held by Credit Suisse AG.

### Significant equity method investments

| Equity interest in % | Company name | Domicile |
|---|---|---|
| **as of December 31, 2015** | | |
| | **Credit Suisse Group AG** | |
| 100 [1] | Credit Suisse Group Finance (Guernsey) Limited | St. Peter Port, Guernsey |
| 100 [1] | Credit Suisse Group (Guernsey) I Limited | St. Peter Port, Guernsey |
| 100 [1] | Credit Suisse Group (Guernsey) II Limited | St. Peter Port, Guernsey |
| 100 [1] | Credit Suisse Group (Guernsey) IV Limited | St. Peter Port, Guernsey |
| 100 | Credit Suisse Group Funding (Guernsey) Limited | St. Peter Port, Guernsey |
| 50 | Swisscard AECS GmbH | Horgen, Switzerland |
| 25 | SECB Swiss Euro Clearing Bank GmbH | Frankfurt, Germany |
| | **Credit Suisse AG** | |
| 33 | Credit Suisse Founder Securities Limited | Beijing, China |
| 23 | E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd | Melbourne, Australia |
| 20 | ICBC Credit Suisse Asset Management Co., Ltd. | Beijing, China |
| 5 [2] | York Capital Management Global Advisors, LLC | New York, United States |
| 0 [2] | Holding Verde Empreendimentos e Participações S.A. | São Paulo, Brazil |

[1] Deconsolidated under US GAAP as the Group is not the primary beneficiary.
[2] The Group holds a significant noncontrolling interest.

## 41 Subsidiary guarantee information

Certain wholly-owned finance subsidiaries of the Group, including Credit Suisse Group Funding (Guernsey) Limited, which is a Guernsey incorporated non-cellular company limited by shares, have issued securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law for the Guernsey subsidiary, applicable to some of the Group's subsidiaries that may limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly owned subsidiary of the Group.

In the fourth quarter of 2015, as part of an announced program to evolve the Group's legal entity structure to meet developing and future regulatory requirements and US Federal Reserve regulation on establishing Intermediate Holding Companies in the US for non-US banks, a legal entity was re-parented as a subsidiary of Credit Suisse (USA), Inc. In the tables below, prior periods have been restated to conform to the current presentation to reflect the impact of this transaction.

## Condensed consolidating statements of operations

| in 2015 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 7,010 | 11,847 | 18,857 | 277 | 207 | 19,341 |
| Interest expense | (4,285) | (5,705) | (9,990) | (330) | 278 | (10,042) |
| Net interest income | 2,725 | 6,142 | 8,867 | (53) | 485 | 9,299 |
| Commissions and fees | 3,919 | 7,927 | 11,846 | 18 | 180 | 12,044 |
| Trading revenues | (968) | 2,266 | 1,298 | 28 | 14 | 1,340 |
| Other revenues | 476 | 724 | 1,200 | (2,969) [2] | 2,883 | 1,114 |
| **Net revenues** | **6,152** | **17,059** | **23,211** | **(2,976)** | **3,562** | **23,797** |
| **Provision for credit losses** | **5** | **271** | **276** | **0** | **48** | **324** |
| Compensation and benefits | 3,805 | 7,718 | 11,523 | 76 | (53) | 11,546 |
| General and administrative expenses | 2,242 | 6,372 | 8,614 | (110) | 70 | 8,574 |
| Commission expenses | 276 | 1,338 | 1,614 | 1 | 8 | 1,623 |
| Goodwill impairment | 0 | 3,797 | 3,797 | 0 | 0 | 3,797 |
| Restructuring expenses | 193 | 132 | 325 | 0 | 30 | 355 |
| Total other operating expenses | 2,711 | 11,639 | 14,350 | (109) | 108 | 14,349 |
| **Total operating expenses** | **6,516** | **19,357** | **25,873** | **(33)** | **55** | **25,895** |
| **Income/(loss) from continuing operations before taxes** | **(369)** | **(2,569)** | **(2,938)** | **(2,943)** | **3,459** | **(2,422)** |
| Income tax expense/(benefit) | (4) | 443 | 439 | 1 | 83 | 523 |
| **Net income/(loss)** | **(365)** | **(3,012)** | **(3,377)** | **(2,944)** | **3,376** | **(2,945)** |
| Net income/(loss) attributable to noncontrolling interests | (17) | 10 | (7) | 0 | 6 | (1) |
| **Net income/(loss) attributable to shareholders** | **(348)** | **(3,022)** | **(3,370)** | **(2,944)** | **3,370** | **(2,944)** |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 2015 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | (365) | (3,012) | (3,377) | (2,944) | 3,376 | (2,945) |
| Gains/(losses) on cash flow hedges | 0 | 24 | 24 | (8) | 0 | 16 |
| Foreign currency translation | 56 | (1,203) | (1,147) | (3) | (6) | (1,156) |
| Unrealized gains/(losses) on securities | (2) | (4) | (6) | 0 | 2 | (4) |
| Actuarial gains/(losses) | 24 | 20 | 44 | 0 | (705) | (661) |
| Net prior service credit/(cost) | (14) | 0 | (14) | 0 | 169 | 155 |
| Other comprehensive income/(loss), net of tax | 64 | (1,163) | (1,099) | (11) | (540) | (1,650) |
| **Comprehensive income/(loss)** | **(301)** | **(4,175)** | **(4,476)** | **(2,955)** | **2,836** | **(4,595)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (26) | 0 | (26) | 0 | 7 | (19) |
| **Comprehensive income/(loss) attributable to shareholders** | **(275)** | **(4,175)** | **(4,450)** | **(2,955)** | **2,829** | **(4,576)** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 2014 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 6,379 | 12,206 | 18,585 | 228 | 248 | 19,061 |
| Interest expense | (3,885) | (6,023) | (9,908) | (316) | 197 | (10,027) |
| Net interest income | 2,494 | 6,183 | 8,677 | (88) | 445 | 9,034 |
| Commissions and fees | 4,142 | 8,745 | 12,887 | 7 | 157 | 13,051 |
| Trading revenues | 137 | 1,653 | 1,790 | 159 | 77 | 2,026 |
| Other revenues | 1,386 | 849 | 2,235 | 1,750 [2] | (1,854) | 2,131 |
| **Net revenues** | **8,159** | **17,430** | **25,589** | **1,828** | **(1,175)** | **26,242** |
| **Provision for credit losses** | **0** | **125** | **125** | **0** | **61** | **186** |
| Compensation and benefits | 3,510 | 7,872 | 11,382 | 53 | (101) | 11,334 |
| General and administrative expenses | 2,594 | 6,979 | 9,573 | (101) | 62 | 9,534 |
| Commission expenses | 253 | 1,295 | 1,548 | 0 | 13 | 1,561 |
| Total other operating expenses | 2,847 | 8,274 | 11,121 | (101) | 75 | 11,095 |
| **Total operating expenses** | **6,357** | **16,146** | **22,503** | **(48)** | **(26)** | **22,429** |
| **Income/(loss) from continuing operations before taxes** | **1,802** | **1,159** | **2,961** | **1,876** | **(1,210)** | **3,627** |
| Income tax expense | 710 | 589 | 1,299 | 1 | 105 | 1,405 |
| **Income/(loss) from continuing operations** | **1,092** | **570** | **1,662** | **1,875** | **(1,315)** | **2,222** |
| Income from discontinued operations, net of tax | 0 | 102 | 102 | 0 | 0 | 102 |
| **Net income/(loss)** | **1,092** | **672** | **1,764** | **1,875** | **(1,315)** | **2,324** |
| Net income attributable to noncontrolling interests | 406 | 39 | 445 | 0 | 4 | 449 |
| **Net income/(loss) attributable to shareholders** | **686** | **633** | **1,319** | **1,875** | **(1,319)** | **1,875** |
| of which from continuing operations | 686 | 531 | 1,217 | 1,875 | (1,319) | 1,773 |
| of which from discontinued operations | 0 | 102 | 102 | 0 | 0 | 102 |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 2014 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 1,092 | 672 | 1,764 | 1,875 | (1,315) | 2,324 |
| Gains/(losses) on cash flow hedges | 0 | (27) | (27) | 7 | 0 | (20) |
| Foreign currency translation | 2,078 | 206 | 2,284 | (1) | 4 | 2,287 |
| Unrealized gains/(losses) on securities | 0 | 21 | 21 | 0 | (9) | 12 |
| Actuarial gains/(losses) | (109) | 167 | 58 | 0 | (1,311) | (1,253) |
| Net prior service credit/(cost) | 14 | 0 | 14 | 0 | (77) | (63) |
| Other comprehensive income/(loss), net of tax | 1,983 | 367 | 2,350 | 6 | (1,393) | 963 |
| **Comprehensive income/(loss)** | **3,075** | **1,039** | **4,114** | **1,881** | **(2,708)** | **3,287** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 520 | 94 | 614 | 0 | (74) | 540 |
| **Comprehensive income/(loss) attributable to shareholders** | **2,555** | **945** | **3,500** | **1,881** | **(2,634)** | **2,747** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 2013 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 6,574 | 12,443 | 19,017 | 62 | 477 | 19,556 |
| Interest expense | (3,946) | (7,361) | (11,307) | (60) | (74) | (11,441) |
| Net interest income | 2,628 | 5,082 | 7,710 | 2 | 403 | 8,115 |
| Commissions and fees | 3,767 | 9,290 | 13,057 | 4 | 165 | 13,226 |
| Trading revenues | (222) | 2,977 | 2,755 | (23) | 7 | 2,739 |
| Other revenues | 1,361 | 431 | 1,792 | 2,288 [2] | (2,304) | 1,776 |
| **Net revenues** | **7,534** | **17,780** | **25,314** | **2,271** | **(1,729)** | **25,856** |
| **Provision for credit losses** | **4** | **89** | **93** | **0** | **74** | **167** |
| Compensation and benefits | 3,380 | 7,807 | 11,187 | 59 | 10 | 11,256 |
| General and administrative expenses | 2,854 | 5,788 | 8,642 | (135) | 80 | 8,587 |
| Commission expenses | 227 | 1,499 | 1,726 | 1 | 11 | 1,738 |
| Goodwill impairment | (9) | 21 | 12 | 0 | 0 | 12 |
| Total other operating expenses | 3,072 | 7,308 | 10,380 | (134) | 91 | 10,337 |
| **Total operating expenses** | **6,452** | **15,115** | **21,567** | **(75)** | **101** | **21,593** |
| **Income/(loss) from continuing operations before taxes** | **1,078** | **2,576** | **3,654** | **2,346** | **(1,904)** | **4,096** |
| Income tax expense | 123 | 1,047 | 1,170 | 20 | 86 | 1,276 |
| **Income/(loss) from continuing operations** | **955** | **1,529** | **2,484** | **2,326** | **(1,990)** | **2,820** |
| Income from discontinued operations, net of tax | 66 | 79 | 145 | 0 | 0 | 145 |
| **Net income/(loss)** | **1,021** | **1,608** | **2,629** | **2,326** | **(1,990)** | **2,965** |
| Net income/(loss) attributable to noncontrolling interests | 575 | 94 | 669 | 0 | (30) | 639 |
| **Net income/(loss) attributable to shareholders** | **446** | **1,514** | **1,960** | **2,326** | **(1,960)** | **2,326** |
| of which from continuing operations | 380 | 1,435 | 1,815 | 2,326 | (1,960) | 2,181 |
| of which from discontinued operations | 66 | 79 | 145 | 0 | 0 | 145 |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 2013 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 1,021 | 1,608 | 2,629 | 2,326 | (1,990) | 2,965 |
| Gains/(losses) on cash flow hedges | 0 | 2 | 2 | 16 | 0 | 18 |
| Foreign currency translation | (627) | (1,607) | (2,234) | 0 | 1,213 | (1,021) |
| Unrealized gains/(losses) on securities | (3) | (15) | (18) | 0 | (14) | (32) |
| Actuarial gains/(losses) | 138 | (181) | (43) | 0 | 1,087 | 1,044 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (95) | (95) |
| Other comprehensive income/(loss), net of tax | (492) | (1,801) | (2,293) | 16 | 2,191 | (86) |
| **Comprehensive income/(loss)** | **529** | **(193)** | **336** | **2,342** | **201** | **2,879** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 471 | 163 | 634 | 0 | (109) | 525 |
| **Comprehensive income/(loss) attributable to shareholders** | **58** | **(356)** | **(298)** | **2,342** | **310** | **2,354** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 2015 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 5,496 | 85,025 | 90,521 | 942 | 865 | 92,328 |
| Interest-bearing deposits with banks | 70 | 4,883 | 4,953 | 5 | (4,091) | 867 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 105,469 | 17,967 | 123,436 | 0 | (387) | 123,049 |
| Securities received as collateral | 27,274 | 1,237 | 28,511 | 0 | 0 | 28,511 |
| Trading assets | 59,297 | 131,799 | 191,096 | 0 | (359) | 190,737 |
| Investment securities | 1,009 | 1,689 | 2,698 | 4,092 | (3,700) | 3,090 |
| Other investments | 2,693 | 4,094 | 6,787 | 46,795 | (46,561) | 7,021 |
| Net loans | 13,000 | 241,915 | 254,915 | 139 | 17,941 | 272,995 |
| Premises and equipment | 899 | 3,540 | 4,439 | 0 | 205 | 4,644 |
| Goodwill | 731 | 3,198 | 3,929 | 0 | 879 | 4,808 |
| Other intangible assets | 152 | 44 | 196 | 0 | 0 | 196 |
| Brokerage receivables | 17,630 | 16,910 | 34,540 | 0 | 2 | 34,542 |
| Other assets | 24,382 | 33,528 | 57,910 | 228 | (121) | 58,017 |
| **Total assets** | **258,102** | **545,829** | **803,931** | **52,201** | **(35,327)** | **820,805** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 62 | 21,398 | 21,460 | 2,152 | (2,558) | 21,054 |
| Customer deposits | 1 | 331,699 | 331,700 | 0 | 11,005 | 342,705 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 77,028 | (30,430) | 46,598 | 0 | 0 | 46,598 |
| Obligation to return securities received as collateral | 27,274 | 1,237 | 28,511 | 0 | 0 | 28,511 |
| Trading liabilities | 11,062 | 37,992 | 49,054 | 0 | (83) | 48,971 |
| Short-term borrowings | 43,518 | (34,861) | 8,657 | 300 | (300) | 8,657 |
| Long-term debt | 39,127 | 152,967 | 192,094 | 5,025 | 489 | 197,608 |
| Brokerage payables | 28,399 | 11,053 | 39,452 | 0 | 0 | 39,452 |
| Other liabilities | 13,209 | 28,506 | 41,715 | 342 | 174 | 42,231 |
| **Total liabilities** | **239,680** | **519,561** | **759,241** | **7,819** | **8,727** | **775,787** |
| **Total shareholders' equity** | **17,684** | **25,722** | **43,406** | **44,382** | **(43,406)** | **44,382** |
| Noncontrolling interests | 738 | 546 | 1,284 | 0 | (648) | 636 |
| **Total equity** | **18,422** | **26,268** | **44,690** | **44,382** | **(44,054)** | **45,018** |
| **Total liabilities and equity** | **258,102** | **545,829** | **803,931** | **52,201** | **(35,327)** | **820,805** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets (continued)

| end of 2014 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 4,617 | 73,383 | 78,000 | 917 | 432 | 79,349 |
| Interest-bearing deposits with banks | 69 | 4,035 | 4,104 | 0 | (2,860) | 1,244 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 153,308 | 9,900 | 163,208 | 0 | 0 | 163,208 |
| Securities received as collateral | 26,754 | 100 | 26,854 | 0 | 0 | 26,854 |
| Trading assets | 75,038 | 166,275 | 241,313 | 0 | (182) | 241,131 |
| Investment securities | 3 | 2,376 | 2,379 | 3,981 | (3,569) | 2,791 |
| Other investments | 3,517 | 4,950 | 8,467 | 46,392 | (46,246) | 8,613 |
| Net loans | 17,823 | 238,105 | 255,928 | 350 | 16,273 | 272,551 |
| Premises and equipment | 892 | 3,549 | 4,441 | 0 | 200 | 4,641 |
| Goodwill | 731 | 7,035 | 7,766 | 0 | 878 | 8,644 |
| Other intangible assets | 115 | 134 | 249 | 0 | 0 | 249 |
| Brokerage receivables | 25,009 | 16,620 | 41,629 | 0 | 0 | 41,629 |
| Other assets | 24,998 | 45,513 | 70,511 | 221 | (174) | 70,558 |
| **Total assets** | **332,874** | **571,975** | **904,849** | **51,861** | **(35,248)** | **921,462** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 97 | 26,409 | 26,506 | 2,627 | (3,124) | 26,009 |
| Customer deposits | 1 | 357,568 | 357,569 | 0 | 11,489 | 369,058 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 113,361 | (43,242) | 70,119 | 0 | 0 | 70,119 |
| Obligation to return securities received as collateral | 26,754 | 100 | 26,854 | 0 | 0 | 26,854 |
| Trading liabilities | 13,133 | 59,534 | 72,667 | 0 | (12) | 72,655 |
| Short-term borrowings | 35,636 | (9,715) | 25,921 | 0 | 0 | 25,921 |
| Long-term debt | 68,762 | 104,185 | 172,947 | 4,930 | 21 | 177,898 |
| Brokerage payables | 44,025 | 12,952 | 56,977 | 0 | 0 | 56,977 |
| Other liabilities | 11,837 | 38,811 | 50,648 | 345 | (23) | 50,970 |
| **Total liabilities** | **313,606** | **546,602** | **860,208** | **7,902** | **8,351** | **876,461** |
| **Total shareholders' equity** | **18,111** | **24,784** | **42,895** | **43,959** | **(42,895)** | **43,959** |
| Noncontrolling interests | 1,157 | 589 | 1,746 | 0 | (704) | 1,042 |
| **Total equity** | **19,268** | **25,373** | **44,641** | **43,959** | **(43,599)** | **45,001** |
| **Total liabilities and equity** | **332,874** | **571,975** | **904,849** | **51,861** | **(35,248)** | **921,462** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of cash flows

| in 2015 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **9,846** | **5,079** | **14,925** | **129** [2] | **14** | **15,068** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (1) | (928) | (929) | (5) | 1,283 | 349 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 46,481 | (9,903) | 36,578 | 0 | 386 | 36,964 |
| Purchase of investment securities | 0 | (376) | (376) | 0 | 0 | (376) |
| Proceeds from sale of investment securities | 1 | 18 | 19 | 0 | 0 | 19 |
| Maturities of investment securities | 68 | 819 | 887 | 0 | 21 | 908 |
| Investments in subsidiaries and other investments | (375) | (180) | (555) | (5,310) | 5,271 | (594) |
| Proceeds from sale of other investments | 1,243 | 652 | 1,895 | 18 | 25 | 1,938 |
| (Increase)/decrease in loans | 4,112 | (8,053) | (3,941) | 210 | (1,715) | (5,446) |
| Proceeds from sales of loans | 0 | 1,579 | 1,579 | 0 | 0 | 1,579 |
| Capital expenditures for premises and equipment and other intangible assets | (322) | (765) | (1,087) | 0 | (15) | (1,102) |
| Proceeds from sale of premises and equipment and other intangible assets | 3 | 10 | 13 | 0 | 0 | 13 |
| Other, net | 33 | 369 | 402 | 0 | 7 | 409 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **51,243** | **(16,758)** | **34,485** | **(5,087)** | **5,263** | **34,661** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | (34) | (28,723) | (28,757) | (475) | 83 | (29,149) |
| Increase/(decrease) in short-term borrowings | 8,649 | (26,797) | (18,148) | 300 | (300) | (18,148) |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (35,303) | 13,154 | (22,149) | 0 | 0 | (22,149) |
| Issuances of long-term debt | 8,511 | 68,372 | 76,883 | 0 | 975 | 77,858 |
| Repayments of long-term debt | (41,555) | (7,364) | (48,919) | (30) | (416) | (49,365) |
| Issuances of common shares | 0 | 0 | 0 | 6,035 | 0 | 6,035 |
| Sale of treasury shares | 0 | 0 | 0 | 3 | 18,749 | 18,752 |
| Repurchase of treasury shares | 0 | 0 | 0 | (1,044) | (18,717) | (19,761) |
| Dividends paid | 0 | (10) | (10) | (415) | (2) | (427) |
| Other, net | (497) | 5,286 | 4,789 | 608 | (5,211) | 186 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(60,229)** | **23,918** | **(36,311)** | **4,982** | **(4,839)** | **(36,168)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **19** | **(597)** | **(578)** | **1** | **(5)** | **(582)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **879** | **11,642** | **12,521** | **25** | **433** | **12,979** |
| Cash and due from banks at beginning of period | 4,617 | 73,383 | 78,000 | 917 | 432 | 79,349 |
| **Cash and due from banks at end of period** | **5,496** | **85,025** | **90,521** | **942** | **865** | **92,328** |

[1] Includes eliminations and consolidation adjustments.

[2] Consists of dividend payments from Group companies of CHF 150 million and CHF 35 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

## Condensed consolidating statements of cash flows (continued)

| in 2014 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **(12,139)** | **(6,061)** | **(18,200)** | **609** [2] | **(29)** | **(17,620)** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | 1,221 | (1,948) | (727) | 0 | 1,002 | 275 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | (8,986) | 20,663 | 11,677 | 0 | 8 | 11,685 |
| Purchase of investment securities | 0 | (1,060) | (1,060) | (2,217) | 2,217 | (1,060) |
| Proceeds from sale of investment securities | 103 | 15 | 118 | 0 | 812 | 930 |
| Maturities of investment securities | 0 | 187 | 187 | 0 | 153 | 340 |
| Investments in subsidiaries and other investments | (643) | (585) | (1,228) | (1,352) | 1,316 | (1,264) |
| Proceeds from sale of other investments | 1,218 | 301 | 1,519 | 3 | 31 | 1,553 |
| (Increase)/decrease in loans | 2,746 | (26,436) | (23,690) | 2,482 | (2,396) | (23,604) |
| Proceeds from sales of loans | 0 | 1,255 | 1,255 | 0 | 0 | 1,255 |
| Capital expenditures for premises and equipment and other intangible assets | (317) | (726) | (1,043) | 0 | (13) | (1,056) |
| Proceeds from sale of premises and equipment and other intangible assets | 0 | 1 | 1 | 0 | 0 | 1 |
| Other, net | (11) | 612 | 601 | (10) | 15 | 606 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **(4,669)** | **(7,721)** | **(12,390)** | **(1,094)** | **3,145** | **(10,339)** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | (168) | 27,305 | 27,137 | (669) | (428) | 26,040 |
| Increase/(decrease) in short-term borrowings | 17,914 | (14,405) | 3,509 | 0 | 0 | 3,509 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (3,894) | (27,107) | (31,001) | 0 | 0 | (31,001) |
| Issuances of long-term debt | 6,607 | 67,543 | 74,150 | 2,217 | (2,208) | 74,159 |
| Repayments of long-term debt | (2,559) | (35,312) | (37,871) | 0 | 1,400 | (36,471) |
| Issuances of common shares | 0 | 0 | 0 | 297 | 0 | 297 |
| Sale of treasury shares | 0 | 0 | 0 | 0 | 9,394 | 9,394 |
| Repurchase of treasury shares | 0 | 0 | 0 | (742) | (9,455) | (10,197) |
| Dividends paid | (1,128) | 1,044 | (84) | (1,125) | (43) | (1,252) |
| Other, net | (791) | 303 | (488) | 609 | (1,313) | (1,192) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **15,981** | **19,371** | **35,352** | **587** | **(2,653)** | **33,286** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **486** | **5,131** | **5,617** | **20** | **153** | **5,790** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) discontinued operations** | **(8)** | **(452)** | **(460)** | **0** | **0** | **(460)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **(349)** | **10,268** | **9,919** | **122** | **616** | **10,657** |
| Cash and due from banks at beginning of period | 4,966 | 63,115 | 68,081 | 795 | (184) | 68,692 |
| **Cash and due from banks at end of period** | **4,617** | **73,383** | **78,000** | **917** | **432** | **79,349** |

[1] Includes eliminations and consolidation adjustments.
[2] Consists of dividend payments from Group companies of CHF 150 million and CHF 113 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

## Condensed consolidating statements of cash flows (continued)

| in 2013 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **6,565** | **15,452** | **22,017** | **400** [2] | **(343)** | **22,074** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (1) | 444 | 443 | 0 | 95 | 538 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | (2,517) | 19,637 | 17,120 | 0 | 0 | 17,120 |
| Purchase of investment securities | (165) | (511) | (676) | (1,402) | 1,401 | (677) |
| Proceeds from sale of investment securities | 107 | 69 | 176 | 0 | 0 | 176 |
| Maturities of investment securities | 0 | 673 | 673 | 0 | 159 | 832 |
| Investments in subsidiaries and other investments | 232 | (1,570) | (1,338) | (2,458) | 2,004 | (1,792) |
| Proceeds from sale of other investments | 2,139 | 1,026 | 3,165 | 481 | 91 | 3,737 |
| (Increase)/decrease in loans | 5,589 | (14,166) | (8,577) | 1,228 | (1,777) | (9,126) |
| Proceeds from sales of loans | 0 | 1,483 | 1,483 | 0 | 0 | 1,483 |
| Capital expenditures for premises and equipment and other intangible assets | (238) | (657) | (895) | 0 | (8) | (903) |
| Proceeds from sale of premises and equipment and other intangible assets | 0 | 9 | 9 | 0 | 0 | 9 |
| Other, net | (87) | 202 | 115 | 0 | 7 | 122 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **5,059** | **6,639** | **11,698** | **(2,151)** | **1,972** | **11,519** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | 95 | 22,535 | 22,630 | (500) | 333 | 22,463 |
| Increase/(decrease) in short-term borrowings | 20,660 | (14,658) | 6,002 | 0 | 0 | 6,002 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (28,474) | (7,873) | (36,347) | 0 | 0 | (36,347) |
| Issuances of long-term debt | 687 | 37,227 | 37,914 | 2,292 | (1,116) | 39,090 |
| Repayments of long-term debt | (4,219) | (50,997) | (55,216) | 0 | 81 | (55,135) |
| Issuances of common shares | 0 | 0 | 0 | 976 | 0 | 976 |
| Sale of treasury shares | 0 | 0 | 0 | 58 | 9,706 | 9,764 |
| Repurchase of treasury shares | 0 | 0 | 0 | (217) | (9,985) | (10,202) |
| Dividends paid | (178) | (305) | (483) | (154) | 73 | (564) |
| Excess tax benefits related to share-based compensation | 0 | 0 | 0 | 1 | (1) | 0 |
| Other, net | (163) | 899 | 736 | 75 | (1,279) | (468) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(11,592)** | **(13,172)** | **(24,764)** | **2,531** | **(2,188)** | **(24,421)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(73)** | **(1,146)** | **(1,219)** | **(4)** | **7** | **(1,216)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) discontinued operations** | **0** | **(1,027)** | **(1,027)** | **0** | **0** | **(1,027)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **(41)** | **6,746** | **6,705** | **776** | **(552)** | **6,929** |
| Cash and due from banks at beginning of period | 5,007 | 56,369 | 61,376 | 19 | 368 | 61,763 |
| **Cash and due from banks at end of period** | **4,966** | **63,115** | **68,081** | **795** | **(184)** | **68,692** |

[1] Includes eliminations and consolidation adjustments.

[2] Consists of dividend payments from Group companies of CHF 161 million and CHF 208 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

## 42 Credit Suisse Group parent company

▸ Refer to "Note 41 – Subsidiary guarantee information" for the condensed Credit Suisse Group parent company financial information.

## 43 Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)

The Group's consolidated financial statements have been prepared in accordance with US GAAP.

FINMA requires Swiss-domiciled banks which present their financial statements under either US GAAP or International Financial Reporting Standards (IFRS) to provide a narrative explanation of the major differences between Swiss GAAP banking law (true and fair view) and its primary accounting standard.

The principal provisions of the Banking Ordinance and the FINMA Circular 2015/1, "Accounting – banks", governing financial reporting for banks (Swiss GAAP) differ in certain aspects from US GAAP. The following are the major differences:

▸ Refer to "Note 1 – Summary of significant accounting policies" for a detailed description of the Group's accounting policies.

### Scope of consolidation

Under Swiss GAAP, majority-owned subsidiaries that are not considered long-term investments or do not operate in the core business of the Group are either accounted for as financial investments or as equity method investments. US GAAP has no such exception relating to the consolidation of majority-owned subsidiaries.

### Foreign currency translations

Under US GAAP, foreign currency translation adjustments resulting from the consolidation of branches with functional currencies other than the Swiss franc are included in accumulated other comprehensive income/(loss) (AOCI) in shareholders' equity. Under Swiss GAAP, foreign currency translation adjustments from the consolidation of foreign branches are recognized in net income/(loss) from trading activities and fair value option.

Under US GAAP, foreign currency measurement adjustments for available-for-sale securities are reported in AOCI, which is part of total shareholder's equity, whereas for Swiss GAAP statutory purposes they are included in the statements of income.

### Investments in securities

Under Swiss GAAP, classification and measurement of investments in securities depends on the nature of the investment.

#### Non-consolidated participations

Under US GAAP, investments in equity securities where the Bank parent company has the ability to significantly influence the operating and financial policies of an investee are accounted for under the equity method of accounting or the fair value option. Under the equity method of accounting, the Bank parent company's share of the profit or loss as well as any impairment on the participation are reported in other revenues.

Under Swiss GAAP, investments in equity securities which are held with the intention of a permanent investment or which are investments in financial industry infrastructure are included in participations irrespective of the percentage ownership of voting shares held. If the Bank has the ability to significantly influence the investee the equity method of accounting is applied. Other participating interests are initially recognized at historical cost and tested for impairment at least annually. The fair value option is not allowed for participations.

For the purpose of testing the Bank parent company's participating interests for impairment, the portfolio method is applied. Impairment is recorded if the carrying value of a portfolio of participating interests exceeds its fair value. Should the fair value of the portfolio recover subsequently after an impairment and such recovery is considered sustainable, the impairment from prior periods can be reversed up to fair value but not exceeding the historical cost basis. A reversal of the impairment is recorded as extraordinary income in the statements of income.

#### Available-for-sale securities

Under US GAAP, available-for-sale securities are valued at fair value. Unrealized gains and losses due to fluctuations in fair value (including foreign exchange) are not recorded in the consolidated statements of operations but included net of tax in AOCI, which is part of total shareholders' equity. Declines in fair value below cost deemed to be other-than-temporary are recognized as impairments in the consolidated statements of operations, except for amounts relating to factors other than credit loss on debt securities with no intent or requirement to sell that continue to be included in AOCI. The new cost basis will not be changed for subsequent recoveries in fair value.

Under Swiss GAAP, available-for-sale securities are accounted for at the lower of cost or market with valuation reductions and recoveries due to market fluctuations recorded in other ordinary expenses and income, respectively. Foreign exchange gains and losses are recognized in net income/(loss) from trading activities and fair value option.

#### Non-marketable equity securities

Under US GAAP, non-marketable equity securities are valued at cost less other-than-temporary impairment or at fair value.

Under Swiss GAAP, non-marketable equity securities are carried at the lower of cost or market.

Impairments on held-to-maturity securities

Under US GAAP, declines in fair value of held-to-maturity securities below cost deemed to be other-than-temporary are recognized as impairments in the consolidated statements of operations except for amounts relating to factors other than credit loss on debt securities held with no intent or requirement to sell that are included in AOCI. The impairment cannot be reversed in future periods.

Under Swiss GAAP, all impairments are recognized in the consolidated statements of income. Impairments recognized on held-to-maturity securities are reversed up to the amortized cost if the fair value of the instrument subsequently recovers. A reversal is recorded in the consolidated statements of income.

**Fair value option**

Unlike US GAAP, Swiss GAAP generally does not allow the fair value option concept that creates an optional alternative measurement treatment for certain non-trading financial assets and liabilities, guarantees and commitments. The fair value option permits the use of fair value for initial and subsequent measurement with changes in fair value recorded in the consolidated statements of operations.

For issued structured products that meet certain conditions, fair value measurement can be applied. The related changes in fair value of both the embedded derivative and the host contract are recorded in trading income, except for fair value adjustments relating to own credit that cannot be recognized in the consolidated statements of income. Impacts of changes in own credit spreads are recognized in the compensation accounts which are either recorded in other assets or other liabilities.

**Derivative financial instruments used for fair value hedging**

Under US GAAP, the full amount of unrealized gains or losses on derivatives classified as hedging instruments and the corresponding losses or gains on the hedged items are recognized in income. Hedging ineffectiveness is recorded in trading income.

Under Swiss GAAP, the carrying value of hedged items is not adjusted. The amount representing the change in fair value of the hedged item due to the risk being hedged is recorded in the compensation account included in other assets or other liabilities. Hedging ineffectiveness is recorded in net income/(loss) from trading activities and fair value option.

**Derivatives used for cash flow hedges**

Under US GAAP, the effective portion of a cash flow hedge is reported in AOCI.

Under Swiss GAAP, the effective portion of a cash flow hedge is recorded in the compensation account included in other assets or other liabilities.

**Derecognition of financial instruments**

Under US GAAP, financial instruments are only derecognized if the transaction meets the following criteria: (i) the financial asset has been legally isolated from the transferor, (ii) the transferee has the right to repledge or resell the transferred asset, and (iii) the transferor does not maintain effective control over the transferred asset.

Under Swiss GAAP, a financial instrument is derecognized when the economic control has been transferred from the seller to the buyer. Economic control over a financial instrument has the party which has the controlling ability to receive the future returns from the financial instrument and the obligation to absorb the risk of the financial instrument.

**Goodwill amortization**

Under US GAAP, goodwill is not amortized but must be tested for impairment annually or more frequently if an event or change in circumstances indicates that the goodwill may be impaired.

Under Swiss GAAP, goodwill is amortized over its useful life, generally not exceeding five years, except for justified cases where a maximum useful life of up to ten years is acceptable. In addition, goodwill is tested at least annually for impairment.

**Intangible assets with indefinite lives**

Under US GAAP, intangible assets with indefinite lives are not amortized but are tested for impairment annually or more frequently if an event or change in circumstances indicates that the asset may be impaired.

Under Swiss GAAP, intangible assets with indefinite lives are amortized over a useful life, up to a maximum of five years, in justified cases up to a maximum of ten years. In addition, these assets are tested at least annually for impairment.

**Guarantees**

US GAAP requires all guarantees to be initially recognized at fair value. Upon issuance of a guarantee, the guarantor is required to recognize a liability that reflects the initial fair value; simultaneously, a receivable is recorded to reflect the future guarantee fee income over the entire life of the guarantee.

Under Swiss GAAP, only accrued or prepaid guarantee fees are recorded on the balance sheet. No guarantee liability and receivable for future guarantee fees are recorded upon issuance of a guarantee.

**Loan origination fees**

US GAAP requires the deferral of fees received upfront in connection with the origination of loans not held under the fair value option.

Under Swiss GAAP, only upfront payments or fees that are considered interest-related components are deferred (e.g., premiums and discounts). Fees received from the borrower which are considered service-related fees such as commitment fees, structuring fees and arrangement fees are immediately recognized in commission income.

**Sale and leaseback transactions**

Under US GAAP, gains from the sale of property subject to a sale and leaseback arrangement are deferred and amortized over the leaseback period.

Under Swiss GAAP, gains from the sale of property subject to a sale and leaseback arrangement are only deferred if the provisions of the leaseback contract indicate that the leaseback is a capital lease; if the leaseback contract meets the requirements of an operating lease, such gains are immediately recognized upon sale of the property.

**Extraordinary income and expenses**

Unlike US GAAP, Swiss GAAP does report certain expenses or revenues as extraordinary if the recorded income or expense is non-operating and non-recurring.

**Pensions and post-retirement benefits**

Under US GAAP, the liability and related pension expense is determined based on the projected unit credit actuarial calculation of the benefit obligation.

Under Swiss GAAP, the liability and related pension expense is primarily determined based on the pension plan valuation in accordance with Swiss GAAP FER 26. A pension asset is recorded if a statutory overfunding of a pension plan leads to a future economic benefit, and a pension liability is recorded if a statutory underfunding of a pension plan leads to a future economic obligation. Employer contribution reserves must be capitalized if they represent a future economic benefit. A future economic benefit exists if the employer can reduce its future statutory annual contribution to the pension plan by releasing employer contribution reserves. Pension expenses include the required contributions defined by Swiss law, any additional contribution mandated by the pension fund trustees and any change in value of the pension asset or liability between two measurement dates as determined on the basis of the annual year-end pension plan valuation.

**Discontinued operations**

Under US GAAP, the assets and liabilities of an operation held-for-sale are separated from the ordinary captions of the consolidated balance sheets and are reported as discontinued operations measured at the lower of the carrying value or fair value less cost to sell. Accordingly, income and expense from discontinued operations are reported in a separate line item of the consolidated statements of operations.

Under Swiss GAAP, these positions remain in their initial balance sheet captions until disposed of and continue to be valued according to the respective captions.

**Security collateral received in securities lending transactions**

Under US GAAP, security collateral received in securities lending transactions are recorded as assets and a corresponding liability to return the collateral is recognized.

Under Swiss GAAP, security collateral received and the obligation to return collateral of securities lending transactions are not recognized on the balance sheet.

**Loan commitments**

Under US GAAP, the Group includes unused credit facilities that can be revoked at its sole discretion upon notice to the client in loan commitments.

Under Swiss GAAP, credit facilities that can be revoked at the Group's sole discretion are only disclosed if the notice period exceeds six weeks.

# Controls and procedures

## EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Group has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report under the supervision and with the participation of management, including the Group Chief Executive Officer (CEO) and Chief Financial Officer (CFO), pursuant to Rule 13(a)-15(a) under the Securities Exchange Act of 1934 (the Exchange Act). There are inherent limitations to the effectiveness of any system of controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their control objectives.

The CEO and CFO concluded that, as of December 31, 2015, the design and operation of the Group's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required.

## MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Group is responsible for establishing and maintaining adequate internal control over financial reporting. The Group's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has made an evaluation and assessment of the Group's internal control over financial reporting as of December 31, 2015 using the criteria issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework".

Based upon its review and evaluation, management, including the Group CEO and CFO, has concluded that the Group's internal control over financial reporting is effective as of December 31, 2015.

The Group's independent auditors, KPMG AG, have issued an unqualified opinion on the effectiveness of the Group's internal control over financial reporting as of December 31, 2015, as stated in their report, which follows.

## CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Group's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Group's internal control over financial reporting.

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Report of the Independent Registered Public Accounting Firm

**Credit Suisse Group AG, Zurich**

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We have audited Credit Suisse Group AG and subsidiaries' (the "Group") internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Group's Board of Directors and management are responsible for maintaining effective internal control over financial reporting and the Group's management is responsible for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Swiss Auditing Standards, the consolidated balance sheets of the Group as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows and notes thereto, for each of the years in the three-year period ended December 31, 2015, and our report dated March 24, 2016 expressed an unqualified opinion on those consolidated financial statements.

KPMG AG

Simon Ryder
*Licensed Audit Expert*
*Auditor in Charge*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
March 24, 2016

# VI

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Report of the Statutory Auditor to the General Meeting of Shareholders of

**Credit Suisse Group AG, Zurich**

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As statutory auditor, we have audited the accompanying financial statements of Credit Suisse Group AG (the "Group"), which comprise the balance sheet, income statement and notes 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 Group'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 Group's articles of incorporation.

**Report on Other Legal Requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Group's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Simon Ryder
*Licensed Audit Expert*
*Auditor in Charge*

Ralph Dicht
*Licensed Audit Expert*

Zurich, Switzerland
March 24, 2016

# Parent company financial statements

## Statements of income

| | Reference to notes | | in |
|---|---|---|---|
| | | **2015** | 2014 |
| **Statement of income (CHF million)** | | | |
| Dividend income from participations | | 185 | 263 |
| Other financial income | 3 | 444 | 265 |
| Other operating income | 4 | 197 | 167 |
| **Total operating income** | | **826** | **695** |
| Financial expenses | 5 | 461 | 352 |
| Personnel expenses | 6 | 75 | 46 |
| Other operating expenses | 7 | 154 | 147 |
| Amortization, depreciation and impairment losses on noncurrent assets | | 3 | 1 |
| **Total operating expenses** | | **693** | **546** |
| **Operating profit** | | **133** | **149** |
| Extraordinary, non-recurring or prior period income | 8 | 7 | 9 |
| **Net profit before taxes** | | **140** | **158** |
| Direct tax expenses | | 16 | 13 |
| **Net profit** | | **124** | **145** |

## Balance sheets

| | Reference to notes | end of 2015 | end of 2014 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and cash equivalents | | 894 | 917 |
| Other short-term receivables | 9 | 204 | 196 |
| Derivative financial instruments | | 249 | 260 |
| Accrued income and prepaid expenses | 10 | 95 | 106 |
| **Total current assets** | | **1,442** | **1,479** |
| Financial investments | 11 | 4,140 | 4,352 |
| Participations | 12 | 47,327 | 41,788 |
| **Total noncurrent assets** | | **51,467** | **46,140** |
| **Total assets** | | **52,909** | **47,619** |
| **Liabilities and shareholders' equity (CHF million)** | | | |
| Short-term interest-bearing liabilities | 13 | 2,721 | 2,955 |
| Other short-term liabilities | | 4 | 5 |
| Accrued expenses and deferred income | 14 | 137 | 144 |
| **Total short-term liabilities** | | **2,862** | **3,104** |
| Long-term interest-bearing liabilities | 15 | 4,988 | 5,022 |
| Provisions | | 311 | 311 |
| **Total long-term liabilities** | | **5,299** | **5,333** |
| **Total liabilities** | | **8,161** | **8,437** |
| **Share capital** | 16 | **78** | **64** |
| Capital contribution reserves | | 23,108 | 17,676 |
| Other capital reserves | | 1,800 | 1,800 |
| **Legal capital reserves** | | **24,908** | **19,476** |
| Reserves for treasury shares | 17 | 3,929 | 3,929 |
| **Legal income reserves** | | **3,929** | **3,929** |
| Statutory and discretionary reserves | | 10,500 | 10,500 |
| Retained earnings brought forward | | 5,220 | 5,075 |
| Net profit | | 124 | 145 |
| **Voluntary retained earnings** | | **15,844** | **15,720** |
| Treasury shares against other capital reserves | | (11) | (7) |
| **Treasury shares** | 18 | **(11)** | **(7)** |
| **Total shareholders' equity** | | **44,748** | **39,182** |
| **Total liabilities and shareholders' equity** | | **52,909** | **47,619** |

# Notes to the financial statements

## 1 General information and subsequent events

### Company
Credit Suisse Group AG is a Swiss holding company incorporated as a joint stock corporation (public limited company) with its registered office in Zurich, Switzerland. The financial statements of Credit Suisse Group AG are prepared in accordance with the regulations of the Swiss Code of Obligations and are stated in Swiss francs (CHF). The financial year ends on December 31.

### Number of employees
The average number of employees (full-time equivalents) for the current year, as well as for the previous year, did not exceed 50.

### Capital increase
On November 19, 2015, the Group held an Extraordinary General Meeting, at which shareholders approved two capital increases. The Group completed the first capital increase by way of a private placement of 58,000,000 newly issued shares to a number of qualified investors. 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 Group sold in the market the remaining 2,538,570 newly issued shares that were not subscribed. The capital increases resulted in 318,983,898 newly issued shares and gross proceeds for the Group of CHF 6.0 billion. Credit Suisse Group AG made a capital contribution of CHF 5.3 billion to its wholly owned subsidiary Credit Suisse AG.

## 2 Accounting and valuation principles

These financial statements were prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). The new law came into force effective January 1, 2013 and is applicable to financial statements as of and for the financial year 2015. The new legislation has led to changes in the minimum structure of the balance sheet and the income statement and adds a number of additional requirements with regard to the minimum content of the notes to the financial statements. The adoption of the new law did not result in changes in the valuation of assets and liabilities of this company.

### Cash and cash equivalents
Cash and cash equivalents are carried at nominal value.

### Derivative financial instruments
Derivative financial instruments reported in this balance sheet line item are carried at the lower of cost or market.

### Financial investments
Financial investments include securities issued by and loans granted to group companies with a long-term maturity. Debt and equity securities are carried at cost. Long-term loans are carried at nominal value. No valuation adjustments or impairment losses were required.

### Participations
Participations are valued at historical cost less impairment. For the purpose of impairment testing, with a clearly defined sub-portfolio of economically closely related participations, the portfolio valuation method is applied. The amount of impairment is assessed on the level of this sub-portfolio and not individually for each participation. All other participations are valued individually. An impairment is recorded if the carrying value exceeds the fair value of the participation sub-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.

### Interest-bearing liabilities
Short-term and long-term interest-bearing liabilities are valued at nominal value.

### Treasury shares
Own shares are recorded at cost and reported as treasury shares, resulting in a reduction of total shareholders' equity. Realized gains and losses on the sale of own shares are recognized through the statements of income as other financial income or financial expenses.

### Revenue recognition
Revenues are recognized when they are realized or realizable, and are earned. Dividend income is recorded in the reporting period in which the dividend is declared.

### Foreign currency translations
Assets and liabilities of foreign branches are translated into Swiss francs at the exchange rates prevailing at year-end. Income and expense items are translated at weighted average exchange rates for the period. All currency translation effects are recognized in Other financial income or Financial expense.

### Foreign currency translation rates

| | End of | | Average in | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| 1 USD / 1 CHF | 0.99 | 0.99 | 0.96 | 0.91 |

## 3 Other financial income

| in | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Interest income | 283 | 240 |
| Gains on sale of treasury shares | 120 | 1 |
| Realized and unrealized gains on derivative financial instruments | 31 | 24 |
| Other | 10 | 0 |
| **Total** | **444** | **265** |

## 4 Other operating income

| in | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Trademark fees | 104 | 110 |
| Management fees | 74 | 45 |
| Guarantee fees | 19 | 11 |
| Other | 0 | 1 |
| **Total** | **197** | **167** |

## 5 Financial expenses

| in | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Interest expenses | 314 | 296 |
| Realized and unrealized losses on derivative financial instruments | 145 | 14 |
| Losses on sale of treasury shares | 1 | 30 |
| Foreign exchange losses | 0 | 9 |
| Other | 1 | 3 |
| **Total** | **461** | **352** |

## 6 Personnel expenses

| in | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Salaries | 41 | 24 |
| Variable compensation expenses | 28 | 17 |
| Other | 6 | 5 |
| **Total** | **75** | **46** |

## 7 Other operating expenses

| in | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Branding expenses | 101 | 106 |
| Other general and administrative expenses | 53 | 41 |
| **Total** | **154** | **147** |

## 8 Extraordinary, non-recurring or prior period income

| in | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Gain on sale of previously not recognized intangible assets | 7 | 9 |
| **Total** | **7** | **9** |

## 9 Other short-term receivables

| end of | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Receivables for trademark fees | 199 | 193 |
| Other | 5 | 3 |
| **Total** | **204** | **196** |

## 10 Accrued income and prepaid expenses

| end of | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Deferred debt issuance costs | 70 | 79 |
| Accrued interest income | 18 | 19 |
| Other | 7 | 8 |
| **Total** | **95** | **106** |

Credit Suisse Group AG hedges an open interest rate risk exposure from a fixed rate liability with a nominal amount of USD 1.0 billion with a fix receiver interest rate swap with equivalent notional. This hedge is considered to be highly effective over the entire maturity of the hedge relationship and no replacement values and no valuation changes, i.e. change of clean replacement values, are recorded on the balance sheet and in the statement of income of the company. The interest coupons received and paid from the interest rate swap are recorded in the statement of income as an adjustment to the interest expense of the hedged exposure.

## 11 Financial investments

| end of | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Debt securities | 3,999 | 4,032 |
| Equity securities | 1 | 1 |
| Long-term loans | 140 | 319 |
| **Total** | **4,140** | **4,352** |

## 12 Participations

### Direct participations

| Voting interest in % | Equity interest in % | Company name | Domicile | Currency | Nominal capital in million |
|---|---|---|---|---|---|
| **as of December 31, 2015** | | | | | |
| 100 | 100 | BANK-now AG | Horgen, Switzerland | CHF | 30.0 |
| 26 | 26 | Capital Union Bank BSC (c) (under liquidation) | Manama, Kingdom of Bahrain | USD | 50.0 |
| 100 | 100 | Clariden Leu (Conosur) SA en liquidación | Montevideo, Uruguay | UYU | 2.0 |
| 100 | 100 | Credit Suisse AG | Zurich, Switzerland | CHF | 4,399.7 |
| 100 | 100 | Credit Suisse Insurance Linked Strategies Ltd. | Zurich, Switzerland | CHF | 0.2 |
| 100 | 100 | Credit Suisse Group (Guernsey) I Ltd. | St. Peter Port, Guernsey | USD | 0.2 |
| 100 | 100 | Credit Suisse Group (Guernsey) II Ltd. | St. Peter Port, Guernsey | USD | 0.1 |
| 100 | 100 | Credit Suisse Group (Guernsey) IV Ltd. | St. Peter Port, Guernsey | CHF | 0.1 |
| 100 | 100 | Credit Suisse Group Finance (Guernsey) Ltd. | St. Peter Port, Guernsey | USD | 0.0 |
| 100 | 100 | Credit Suisse Group Funding (Guernsey) Ltd. | St. Peter Port, Guernsey | USD | 0.1 |
| 43 [1] | - | Credit Suisse Holdings (USA), Inc. | Wilmington, United States | USD | 4,184.7 |
| 2 [2] | 2 [2] | Credit Suisse International | London, United Kingdom | USD | 12,366.1 |
| 100 | 100 | Credit Suisse Services AG | Zurich, Switzerland | CHF | 0.1 |
| 100 | 100 | Credit Suisse Trust AG | Zurich, Switzerland | CHF | 5.0 |
| 100 | 100 | Credit Suisse Trust Holdings Ltd. | St. Peter Port, Guernsey | GBP | 2.0 |
| 100 | 100 | CS LP Holding AG | Zug, Switzerland | CHF | 0.1 |
| 100 | 100 | Fides Treasury Services AG | Zurich, Switzerland | CHF | 2.0 |
| 100 | 100 | Inreska Limited | St. Peter Port, Guernsey | GBP | 3.0 |
| 100 | 100 | Neue Aargauer Bank AG | Aarau, Switzerland | CHF | 134.1 |
| 88 | 88 | Savoy Hotel Baur en Ville AG | Zurich, Switzerland | CHF | 7.5 |
| 25 | 25 | SECB Swiss Euro Clearing Bank GmbH | Frankfurt, Germany | EUR | 30.0 |
| 67 [3] | 50 | Swisscard AECS GmbH | Horgen, Switzerland | CHF | 0.1 |

[1] 57% of voting interest and 100% of equity interest held by Credit Suisse AG.
[2] 98% held by other group companies.
[3] Does not represent a controlling financial interest due to contractual arrangements.

### Indirect participations

The company's principal indirect participations are shown in Note 40 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group.

## 13 Short-term interest-bearing liabilities

| end of | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Due to banks | 2,399 | 2,626 |
| Cash collateral received | 322 | 329 |
| **Total** | **2,721** | **2,955** |

## 14 Accrued expenses and deferred income

| end of | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Deferred fees on acquired debt securities | 56 | 63 |
| Accrual for personnel and other operating expenses | 60 | 50 |
| Accrual for interest expenses | 21 | 22 |
| Accrual for income taxes | 0 | 8 |
| Other | 0 | 1 |
| **Total** | **137** | **144** |

## 15 Long-term interest-bearing liabilities

The notes issued by Credit Suisse Group AG are perpetual securities and have no fixed or final maturity date. Subject to the satisfaction of certain conditions, they may be redeemed, at the option of the issuer, on the first call date or on any interest payment date thereafter. Upon the occurrence of a contingency event or a viability event, also called write-down event, the interest on the notes shall cease to accrue and the full principal amount of each note will automatically and permanently be written-down to zero. A write-down event will occur if the sum of Credit Suisse Group's consolidated common equity tier 1 ratio (CET1 ratio) and the Higher Trigger Capital Ratio as of any quarterly balance sheet date or interim capital report date is below 5.125%, unless the Swiss Financial Market Supervisory Authority FINMA (FINMA), at the request of Credit Suisse Group, has agreed on or prior to the publication of the quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. A write-down event will also occur if FINMA determines that a write-down of the notes is necessary, or that Credit Suisse Group AG requires public sector capital support to prevent Credit Suisse Group AG from becoming insolvent, bankrupt or unable to pay a material part of its debts, or other similar circumstances.

### Long-term interest-bearing liabilities

| end of | Currency | Notional | Interest rate | Issue date | First call date | Maturity date | Carrying value 2015 | Carrying value 2014 |
|---|---|---|---|---|---|---|---|---|
| **Bonds (CHF million)** | | | | | | | | |
| Low-trigger tier 1 capital notes | CHF | 290 | 6.0% | September 4, 2013 | September 4, 2018 | Perpetual | 290 | 290 |
| Low-trigger tier 1 capital notes | USD | 2,250 | 7.5% | December 11, 2013 | December 11, 2023 | Perpetual | 2,225 | 2,227 |
| Low-trigger tier 1 capital notes | USD | 2,500 | 6.3% | June 18, 2014 | December 18, 2024 | Perpetual | 2,473 | 2,474 |
| Hybrid tier 2 capital notes [1] | GBP | – | 8.5% | June 15, 2000 | June 15, 2015 | Perpetual | 0 | 31 |
| **Total** | | | | | | | **4,988** | **5,022** |

[1] Issued to Credit Suisse Group Capital (Guernsey) III, Ltd.; GBP 19.9 million redeemed on June 15, 2015.

## 16 Share capital, conditional, conversion and authorized capital of Credit Suisse Group

| | No. of registered shares | Par value in CHF | No. of registered shares | Par value in CHF |
|---|---|---|---|---|
| **Share capital as of December 31, 2014** | | | **1,607,168,947** | **64,286,758** |
| **Ordinary share capital increase** | | | | |
| Extraordinary General Meeting of November 19, 2015 | | | | |
| Private placement on November 23, 2015 – increase | | | 58,000,000 | 2,320,000 |
| Rights offering on December 4, 2015 – increase | | | 260,983,898 | 10,439,356 |
| **Conditional capital** | | | | |
| Warrants and convertible bonds | | | | |
| Capital as of December 31, 2014 | 400,000,000 | 16,000,000 | | |
| **Capital as of December 31, 2015** | **400,000,000** [1] | **16,000,000** | | |
| Staff shares | | | | |
| Capital as of December 31, 2014 | 30,000,000 | 1,200,000 | | |
| **Capital as of December 31, 2015** | **30,000,000** | **1,200,000** | | |
| **Conversion capital** | | | | |
| Capital as of December 31, 2014 | 150,000,000 | 6,000,000 | | |
| **Capital as of December 31, 2015** | **150,000,000** [2] | **6,000,000** | | |
| **Authorized capital** | | | | |
| Capital as of December 31, 2014 | 112,447,713 | 4,497,909 | | |
| Annual General Meeting of April 24, 2015 – increase | 47,552,287 | 1,902,091 | | |
| Scrip dividend in May 2015 | (31,226,399) | (1,249,056) | 31,226,399 | 1,249,056 |
| **Capital as of December 31, 2015** | **128,773,601** | **5,150,944** | | |
| **Share capital as of December 31, 2015** | | | **1,957,379,244** | **78,295,170** |

[1] 400.0 million registered shares reserved for high-trigger capital instruments.
[2] 115.1 million registered shares reserved for high-trigger capital instruments.

## 17 Credit Suisse Group shares held by subsidiaries

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Share equivalents | Market value (CHF million) | Share equivalents | Market value (CHF million) |
| **Balance at beginning of financial year** | | | | |
| Physical holdings | 7,383,491 | 185 | 5,160,707 | 141 |
| Holdings, net of pending obligations | (938,896) | (24) | (452,459) | (12) |
| **Balance at end of financial year** | | | | |
| Physical holdings [1] | 5,408,246 | 117 | 7,383,491 | 185 |
| Holdings, net of pending obligations | (624,043) | (13) | (938,896) | (24) |

[1] Representing 0.3% and 0.5% of issued shares as of December 31, 2015 and 2014, respectively.

## 18 Purchases and sales of treasury shares held by Credit Suisse Group

| | Net gain/(loss) on sale (CHF million) | Treasury shares, at cost (CHF million) | Number of shares | Average price per share CHF |
|---|---|---|---|---|
| **2015** | | | | |
| **Balance as of December 31, 2014** | | **7** | **283,167** | **25.08** |
| Sale of treasury shares [1] | 119 | (1,039) | (44,429,161) | 26.06 |
| Purchase of treasury shares | | 1,043 | 44,647,972 | 23.37 |
| **Change in 2015** | 119 | 4 | 218,811 | |
| **Balance as of December 31, 2015** | | **11** | **501,978** | **21.93** |

Highest price, paid on August 3, 2015: CHF 28.68.
Lowest price, paid on January 19, 2015: CHF 18.85.

| | | | | |
|---|---|---|---|---|
| **2014** | | | | |
| **Balance as of December 31, 2013** | | 1 | **22,447** | **26.50** |
| Sale of treasury shares [1] | (29) | (735) | (26,086,280) | 27.09 |
| Purchase of treasury shares | | 741 | 26,347,000 | 28.14 |
| **Change in 2014** | (29) | 6 | 260,720 | |
| **Balance as of December 31, 2014** | | **7** | **283,167** | **25.08** |

Highest price, paid on January 15, 2014: CHF 30.05.
Lowest price, paid on October 23, 2014: CHF 24.66.
[1] Representing share award settlements with Group employees.

## 19 Significant 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 (%) |
| **Direct shareholders** [1] | | | | | | |
| Chase Nominees Ltd. [2] | 313 | 13 | 15.99% | 276 | 11 | 17.17% |
| Crescent Holding GmbH | – [3] | – [3] | – [3] | 88 | 4 | 5.51% |

[1] As registered in the share register of the Group on December 31 of the reporting period; includes shareholders registered as nominees or ADS depositary bank.
[2] Nominee holdings exceeding 2% are registered with a right to vote only if the nominee confirms that no individual shareholder holds more than 0.5% of the outstanding share capital or if the nominee discloses the identity of any beneficial owner holding more than 0.5% of the outstanding capital.
[3] Participation was lower than the disclosure threshold of 5%.

▸ Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for information received from shareholders not registered in the share register of Credit Suisse Group AG.

## 20 Contingent liabilities

| end of | 2015 | 2014 |
|---|---|---|
| **Contingent liabilities (CHF million)** | | |
| Aggregate indemnity liabilities, guarantees and other contingent liabilities (net of exposures recorded as liabilities) | 66,595 | 51,612 |
| of which have been entered into on behalf of subsidiaries | 66,595 [1] | 51,612 |

[1] Includes senior unsecured debt issued by subsidiaries of CHF 15,121 million, which qualifies as total loss-absorbing capacity (TLAC).

The company belongs to the Swiss value-added tax group of Credit Suisse Group, and thus carries joint liability to the Swiss federal tax authority for value-added tax debts of the entire Group.

## 21 Assets and liabilities with related parties

| end of | 2015 | 2014 |
|---|---|---|
| **Assets (CHF million)** | | |
| Cash and cash equivalents | 889 | 917 |
| Other short-term receivables | 201 | 193 |
| Derivative financial instruments | 249 | 260 |
| Accrued income and prepaid expenses | 95 | 105 |
| **Total current assets – related parties** | **1,434** | **1,475** |
| Financial investments | 4,139 | 4,351 |
| Participations | 47,327 | 41,788 |
| **Total noncurrent assets – related parties** | **51,466** | **46,139** |
| **Total assets – related parties** | **52,900** | **47,614** |
| **Liabilities (CHF million)** | | |
| Short-term interest-bearing liabilities | 2,721 | 2,955 |
| Other short-term liabilities | 2 | 4 |
| Accrued expenses and deferred income | 57 | 65 |
| **Total short-term liabilities – related parties** | **2,780** | **3,024** |
| Long-term interest-bearing liabilities | 0 | 31 |
| **Total long-term liabilities – related parties** | **0** | **31** |
| **Total liabilities – related parties** | **2,780** | **3,055** |

The assets and liabilities represents the amounts due from and due to group companies. The amounts due to management bodies are below CHF 1 million.

## 22 Subordinated assets and liabilities

| end of | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| Subordinated assets | 4,106 | 4,320 |
| **Total subordinated assets** | **4,106** | **4,320** |
| Subordinated liabilities | 5,009 | 5,043 |
| **Total subordinated liabilities** | **5,009** | **5,043** |

## 23 Shareholdings of the Board of Directors, Executive Board and employees

### Executive Board shareholdings

The table "Executive Board holdings and values of deferred share-based awards by individual" discloses the shareholdings of the Executive Board members, their immediate family and companies in which they have a controlling interest as well as the value of the unvested share-based compensation awards held by Executive Board members as of December 31, 2015.

### Executive Board holdings and values of deferred share-based awards by individual

| end of | Number of owned shares [1] | Number of unvested share awards | Number of owned shares and unvested share awards | Value of unvested awards at grant (CHF) | Value of unvested awards as of December 31 (CHF) |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Tidjane Thiam | – | 677,368 | 677,368 | 14,322,470 | 14,692,112 |
| James L. Amine | 118,982 | 601,098 | 720,080 | 13,448,466 | 13,037,816 |
| Pierre -Olivier Bouée | – | 73,307 | 73,307 | 1,885,249 | 1,590,029 |
| Romeo Cerutti | 219,539 | 122,417 | 341,956 | 2,727,390 | 2,655,225 |
| Peter Goerke | – | 79,034 | 79,034 | 1,843,536 | 1,714,247 |
| Thomas Gottstein | – | 98,344 | 98,344 | 2,174,771 | 2,133,081 |
| Iqbal Khan | 13,358 | 99,516 | 112,874 | 2,098,706 | 2,158,502 |
| David R. Mathers | 35,063 | 215,170 | 250,233 | 4,793,822 | 4,667,037 |
| Joachim Oechslin | 17,099 | 97,982 | 115,081 | 2,124,889 | 2,125,230 |
| Timothy P. O'Hara | 29,079 | 579,567 | 608,646 | 13,521,795 | 12,570,808 |
| Helman Sitohang | 5,992 | 406,124 | 412,116 | 9,145,242 | 8,808,830 |
| Lara Warner | 29,313 | 158,244 | 187,557 | 3,658,283 | 3,432,312 |
| **Total** | **468,425** | **3,208,171** | **3,676,596** | **71,744,619** | **69,585,229** |
| **2014** | | | | | |
| Brady W. Dougan | 641,334 | 326,139 | 967,473 | 8,074,202 | 8,179,566 |
| James L. Amine | 79,131 | 522,755 | 601,886 | 13,505,094 | 13,110,695 |
| Gaël de Boissard | 249,617 | 506,289 | 755,906 | 13,485,853 | 12,697,728 |
| Romeo Cerutti | 96,887 | 169,842 | 266,729 | 4,158,932 | 4,259,637 |
| David R. Mathers | 32,146 | 287,055 | 319,201 | 7,031,063 | 7,199,339 |
| Hans-Ulrich Meister | 318,484 | 321,385 | 639,869 | 7,948,267 | 8,060,336 |
| Joachim Oechslin | – | 64,060 | 64,060 | 1,595,094 | 1,606,625 |
| Timothy P. O'Hara | – | 664,016 | 664,016 | 17,154,283 | 16,653,521 |
| Robert S. Shafir | 617,053 | 386,794 | 1,003,847 | 9,439,287 | 9,700,794 |
| Pamela A. Thomas-Graham | – | 158,139 | 158,139 | 3,857,930 | 3,966,126 |
| **Total** | **2,034,652** | **3,406,474** | **5,441,126** | **86,250,005** | **85,434,367** |

[1] Includes shares that were initially granted as deferred compensation and have vested.

## Board of Directors shareholdings

The table below discloses the shareholdings of the Board of Directors members, their immediate family and companies in which they have a controlling interest. As of December 31, 2015, there were no Board of Directors members with outstanding options.

### Board of Directors shareholdings by individual

| in | **2015** | 2014 |
|---|---|---|
| **December 31 (shares)** [1] | | |
| Urs Rohner | 244,868 | 229,492 |
| Jassim Bin Hamad J.J. Al Thani | 26,404 | 19,763 |
| Iris Bohnet | 25,120 | 18,243 |
| Noreen Doyle | 52,998 | 52,984 |
| Andreas N. Koopmann | 60,944 | 46,859 |
| Jean Lanier | 75,799 | 56,665 |
| Sereina Maag | 4,653 | – |
| Kai S. Nargolwala | 209,434 | 176,974 |
| Severin Schwan | 65,601 | 25,155 |
| Richard E. Thornburgh | 194,089 | 184,668 |
| Sebastian Thrun | 6,850 | 2,779 |
| John Tiner | 107,866 | 70,482 |
| **Total** | **1,074,626** | **884,064** |

[1] Includes Group shares that are subject to a blocking period of up to four years; includes shareholdings of immediate family members.

### Share awards outstanding

| end of | **2015** | | 2014 | |
|---|---|---|---|---|
| | Number of share-awards outstanding in million | Fair value in CHF million | Number of share-awards outstanding in million | Fair value in CHF million |
| **Share awards** [1] | | | | |
| Employees | 136 | 2,957 | 126 | 3,153 |
| **Total share awards** | **136** | **2,957** | **126** | **3,153** |

[1] In the interests of transparency also share awards granted to employees of subsidiaries of Credit Suisse Group AG are considered in this disclosure table.

# Proposed appropriation of retained earnings and capital distribution

## Proposed appropriation of retained earnings

| end of | 2015 |
|---|---|
| **Retained earnings (CHF million)** | |
| Retained earnings brought forward | 5,220 |
| Net profit | 124 |
| **Retained earnings available for appropriation** | **5,344** |
| To be carried forward | 5,344 |
| **Total** | **5,344** |

## Proposed distribution out of capital contribution reserves

| | 2015 |
|---|---|
| **Capital contribution reserves (CHF million)** | |
| **Balance at beginning of year** | **17,676** |
| Capital distribution for the financial year 2014 | (1,125) |
| Capital surplus for issued shares | 6,557 |
| **Balance at end of year** | **23,108** |
| Proposed distribution of CHF 0.70 per registered share for the financial year 2015 [1] | (1,370) |
| **Balance after distribution** | **21,738** |

Distributions are free of Swiss withholding tax and are not subject to income tax for Swiss resident individuals holding the shares as a private investment.

[1] 1,956.9 million registered shares – net of own shares held by the company – at December 31, 2015. The number of registered shares eligible for distribution may change due to the issuance of new registered shares and activities in own shares.

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# VII

# Consolidated financial statements – Credit Suisse (Bank)


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Report of the Independent Registered Public Accounting Firm

**Credit Suisse AG, Zurich**

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We have audited the accompanying consolidated balance sheets of Credit Suisse AG and subsidiaries (the "Bank") as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Bank's management and the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 24, 2016 expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

KPMG AG

Simon Ryder
*Licensed Audit Expert*
*Auditor in Charge*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
March 24, 2016

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# Consolidated financial statements

## Consolidated statements of operations

| | Reference to notes | in | | |
|---|---|---|---|---|
| | | **2015** | 2014 | 2013 |
| **Consolidated statements of operations (CHF million)** | | | | |
| Interest and dividend income | 6 | 18,857 | 18,585 | 19,017 |
| Interest expense | 6 | (9,990) | (9,908) | (11,307) |
| Net interest income | 6 | 8,867 | 8,677 | 7,710 |
| Commissions and fees | 7 | 11,846 | 12,887 | 13,057 |
| Trading revenues | 8 | 1,298 | 1,790 | 2,755 |
| Other revenues | 9 | 1,200 | 2,235 | 1,792 |
| **Net revenues** | | **23,211** | **25,589** | **25,314** |
| **Provision for credit losses** | 10 | **276** | **125** | **93** |
| Compensation and benefits | 11 | 11,523 | 11,382 | 11,187 |
| General and administrative expenses | 12 | 8,614 | 9,573 | 8,642 |
| Commission expenses | | 1,614 | 1,548 | 1,726 |
| Goodwill impairment | 20 | 3,797 | 0 | 12 |
| Restructuring expenses | 13 | 325 | – | – |
| Total other operating expenses | | 14,350 | 11,121 | 10,380 |
| **Total operating expenses** | | **25,873** | **22,503** | **21,567** |
| **Income/(loss) from continuing operations before taxes** | | **(2,938)** | **2,961** | **3,654** |
| Income tax expense | 27 | 439 | 1,299 | 1,170 |
| **Income/(loss) from continuing operations** | | **(3,377)** | **1,662** | **2,484** |
| Income from discontinued operations, net of tax | 4 | 0 | 102 | 145 |
| **Net income/(loss)** | | **(3,377)** | **1,764** | **2,629** |
| Net income/(loss) attributable to noncontrolling interests | | (7) | 445 | 669 |
| **Net income/(loss) attributable to shareholder** | | **(3,370)** | **1,319** | **1,960** |
| of which from continuing operations | | (3,370) | 1,217 | 1,815 |
| of which from discontinued operations | | 0 | 102 | 145 |

## Consolidated statements of comprehensive income

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Comprehensive income/(loss) (CHF million)** | | | |
| Net income/(loss) | (3,377) | 1,764 | 2,629 |
| Gains/(losses) on cash flow hedges | 24 | (27) | 2 |
| Foreign currency translation | (1,147) | 2,284 | (2,234) |
| Unrealized gains/(losses) on securities | (6) | 21 | (18) |
| Actuarial gains/(losses) | 44 | 58 | (43) |
| Net prior service credit/(cost) | (14) | 14 | 0 |
| Other comprehensive income/(loss), net of tax | (1,099) | 2,350 | (2,293) |
| **Comprehensive income/(loss)** | **(4,476)** | **4,114** | **336** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (26) | 614 | 634 |
| **Comprehensive income/(loss) attributable to shareholder** | **(4,450)** | **3,500** | **(298)** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets

| | Reference to notes | end of | |
|---|---|---|---|
| | | **2015** | 2014 |
| **Assets (CHF million)** | | | |
| Cash and due from banks | | 90,521 | 78,000 |
| of which reported at fair value | | 89 | 304 |
| of which reported from consolidated VIEs | | 1,693 | 1,493 |
| Interest-bearing deposits with banks | | 4,953 | 4,104 |
| of which reported at fair value | | 2 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 14 | 123,436 | 163,208 |
| of which reported at fair value | | 83,565 | 104,283 |
| of which reported from consolidated VIEs | | 53 | 660 |
| Securities received as collateral, at fair value | | 28,511 | 26,854 |
| of which encumbered | | 27,940 | 25,220 |
| Trading assets, at fair value | 15 | 191,096 | 241,313 |
| of which encumbered | | 62,559 | 77,583 |
| of which reported from consolidated VIEs | | 2,372 | 4,261 |
| Investment securities | 16 | 2,698 | 2,379 |
| of which reported at fair value | | 2,698 | 2,379 |
| of which reported from consolidated VIEs | | 1,009 | 0 |
| Other investments | 17 | 6,787 | 8,467 |
| of which reported at fair value | | 4,227 | 5,642 |
| of which reported from consolidated VIEs | | 1,986 | 2,105 |
| Net loans | 18 | 254,915 | 255,928 |
| of which reported at fair value | | 20,820 | 22,913 |
| of which encumbered | | 108 | 192 |
| of which reported from consolidated VIEs | | 1,312 | 245 |
| allowance for loan losses | | (724) | (597) |
| Premises and equipment | 19 | 4,439 | 4,441 |
| of which reported from consolidated VIEs | | 299 | 422 |
| Goodwill | 20 | 3,929 | 7,766 |
| Other intangible assets | 21 | 196 | 249 |
| of which reported at fair value | | 112 | 70 |
| Brokerage receivables | | 34,540 | 41,629 |
| Other assets | 22 | 57,910 | 70,511 |
| of which reported at fair value | | 25,626 | 32,321 |
| of which encumbered | | 671 | 250 |
| of which reported from consolidated VIEs | | 14,450 | 16,132 |
| **Total assets** | | **803,931** | **904,849** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets (continued)

| | Reference to notes | end of 2015 | end of 2014 |
|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 23 | 21,460 | 26,506 |
| of which reported at fair value | | 490 | 832 |
| Customer deposits | 23 | 331,700 | 357,569 |
| of which reported at fair value | | 3,656 | 3,251 |
| of which reported from consolidated VIEs | | 0 | 3 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 14 | 46,598 | 70,119 |
| of which reported at fair value | | 32,398 | 54,732 |
| Obligation to return securities received as collateral, at fair value | | 28,511 | 26,854 |
| Trading liabilities, at fair value | 15 | 49,054 | 72,667 |
| of which reported from consolidated VIEs | | 27 | 35 |
| Short-term borrowings | | 8,657 | 25,921 |
| of which reported at fair value | | 3,112 | 3,861 |
| of which reported from consolidated VIEs | | 81 | 9,384 |
| Long-term debt | 24 | 192,094 | 172,947 |
| of which reported at fair value | | 80,002 | 80,260 |
| of which reported from consolidated VIEs | | 14,826 | 13,452 |
| Brokerage payables | | 39,452 | 56,977 |
| Other liabilities | 22 | 41,715 | 50,648 |
| of which reported at fair value | | 11,745 | 16,933 |
| of which reported from consolidated VIEs | | 835 | 1,727 |
| **Total liabilities** | | **759,241** | **860,208** |
| Common shares | | 4,400 | 4,400 |
| Additional paid-in capital | | 39,883 | 34,842 |
| Retained earnings | | 12,427 | 15,877 |
| Accumulated other comprehensive income/(loss) | 25 | (13,304) | (12,224) |
| **Total shareholder's equity** | | **43,406** | **42,895** |
| Noncontrolling interests | | 1,284 | 1,746 |
| **Total equity** | | **44,690** | **44,641** |
| **Total liabilities and equity** | | **803,931** | **904,849** |

| end of | 2015 | 2014 |
|---|---|---|
| **Additional share information** | | |
| Par value (CHF) | 1.00 | 1.00 |
| Issued shares | 4,399,680,200 | 4,399,680,200 |
| Shares outstanding | 4,399,680,200 | 4,399,680,200 |

The Bank's total share capital is fully paid and consists of 4,399,680,200 registered shares as of December 31, 2015. Each share is entitled to one vote. The Bank has no warrants on its own shares outstanding.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of changes in equity

| | Attributable to shareholder | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost [1] | Accumulated other comprehensive income/ (loss) | **Total shareholder's equity** | Non-controlling interests | **Total equity** |
| **2015 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **34,842** | **15,877** | **0** | **(12,224)** | **42,895** | **1,746** | **44,641** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [2, 3] | – | – | – | – | – | – | (434) | (434) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [3] | – | – | – | – | – | – | 57 | 57 |
| Net income/(loss) | – | – | (3,370) | – | – | (3,370) | (7) | (3,377) |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (1,080) | (1,080) | (19) | (1,099) |
| Share-based compensation, net of tax | – | (436) [4] | – | – | – | (436) | – | (436) |
| Dividends on share-based compensation, net of tax | – | (12) | – | – | – | (12) | – | (12) |
| Dividends paid | – | – | (80) | – | – | (80) | – | (80) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (57) | (57) |
| Other | – | 5,489 [5] | – | – | – | 5,489 | (2) | 5,487 |
| **Balance at end of period** | **4,400** | **39,883** | **12,427** | **0** | **(13,304)** | **43,406** | **1,284** | **44,690** |
| **2014 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **34,851** | **14,621** | **0** | **(14,405)** | **39,467** | **4,165** | **43,632** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | 26 | – | – | – | 26 | – | 26 |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (578) | (578) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 40 | 40 |
| Net income/(loss) | – | – | 1,319 | – | – | 1,319 | 445 | 1,764 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 2,181 | 2,181 | 169 | 2,350 |
| Share-based compensation, net of tax | – | (61) | – | – | – | (61) | – | (61) |
| Dividends on share-based compensation, net of tax | – | (44) | – | – | – | (44) | – | (44) |
| Dividends paid | – | – | (63) | – | – | (63) | (21) | (84) |
| Changes in redeemable noncontrolling interests | – | 2 | – | – | – | 2 | – | 2 |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (2,477) | (2,477) |
| Other | – | 68 | – | – | – | 68 | 3 | 71 |
| **Balance at end of period** | **4,400** | **34,842** | **15,877** | **0** | **(12,224)** | **42,895** | **1,746** | **44,641** |

[1] Reflects Credit Suisse Group shares which are reported as treasury shares. Those shares are held to economically hedge share award obligations.
[2] Distributions to owners in funds include the return of original capital invested and any related dividends.
[3] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[4] Includes a net tax charge of CHF (28) million from the excess recognized compensation expense over fair value of shares delivered.
[5] Includes a capital contribution of CHF 5,300 million from Credit Suisse Group AG to Credit Suisse AG following the capital increase in December 2015 by the Group.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of changes in equity (continued)

| | Attributable to shareholder | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares/ participation securities | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income/ (loss) | **Total shareholder's equity** | Non-controlling interests | **Total equity** |
| **2013 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **29,365** | **13,086** | **0** | **(12,147)** | **34,704** | **8,179** | **42,883** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | – | – | – | – | – | (22) | (22) |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (5,060) | (5,060) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 693 | 693 |
| Net income/(loss) | – | – | 1,960 | – | – | 1,960 | 682 | 2,642 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (2,258) | (2,258) | (35) | (2,293) |
| Cancellation of repurchased shares | – | (445) | – | – | – | (445) | – | (445) |
| Share-based compensation, net of tax | – | 196 | – | – | – | 196 | – | 196 |
| Dividends on share-based compensation, net of tax | – | (87) | – | – | – | (87) | – | (87) |
| Dividends paid | – | – | (424) | – | – | (424) | (59) | (483) |
| Changes in redeemable noncontrolling interests | – | (13) | – | – | – | (13) | – | (13) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (211) | (211) |
| Other | – | 5,835 | (1) | – | – | 5,834 | (2) | 5,832 |
| **Balance at end of period** | **4,400** | **34,851** | **14,621** | **0** | **(14,405)** | **39,467** | **4,165** | **43,632** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flows

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | |
| **Net income/(loss)** | **(3,377)** | **1,764** | **2,629** |
| (Income)/loss from discontinued operations, net of tax | 0 | (102) | (145) |
| **Income/(loss) from continuing operations** | **(3,377)** | **1,662** | **2,484** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | | |
| Impairment, depreciation and amortization | 4,879 | 1,276 | 1,337 |
| Provision for credit losses | 276 | 125 | 93 |
| Deferred tax provision/(benefit) | 2 | 619 | 658 |
| Share of net income/(loss) from equity method investments | (101) | 147 | 48 |
| Trading assets and liabilities, net | 26,141 | (5,096) | 10,427 |
| (Increase)/decrease in other assets | 11,367 | 6,483 | (3,248) |
| Increase/(decrease) in other liabilities | (22,312) | (24,146) | 10,134 |
| Other, net | (1,950) | 730 | 84 |
| Total adjustments | 18,302 | (19,862) | 19,533 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **14,925** | **(18,200)** | **22,017** |
| **Investing activities of continuing operations (CHF million)** | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (929) | (727) | 443 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 36,578 | 11,677 | 17,120 |
| Purchase of investment securities | (376) | (1,060) | (676) |
| Proceeds from sale of investment securities | 19 | 118 | 176 |
| Maturities of investment securities | 887 | 187 | 673 |
| Investments in subsidiaries and other investments | (555) | (1,228) | (1,338) |
| Proceeds from sale of other investments | 1,895 | 1,519 | 3,165 |
| (Increase)/decrease in loans | (3,941) | (23,690) | (8,577) |
| Proceeds from sales of loans | 1,579 | 1,255 | 1,483 |
| Capital expenditures for premises and equipment and other intangible assets | (1,087) | (1,043) | (895) |
| Proceeds from sale of premises and equipment and other intangible assets | 13 | 1 | 9 |
| Other, net | 402 | 601 | 115 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **34,485** | **(12,390)** | **11,698** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flows (continued)

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | | |
| Increase/(decrease) in due to banks and customer deposits | (28,757) | 27,137 | 22,630 |
| Increase/(decrease) in short-term borrowings | (18,148) | 3,509 | 6,002 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (22,149) | (31,001) | (36,347) |
| Issuances of long-term debt | 76,883 | 74,150 | 37,914 |
| Repayments of long-term debt | (48,919) | (37,871) | (55,216) |
| Dividends paid | (10) | (84) | (483) |
| Other, net | 4,789 | (488) | 736 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(36,311)** | **35,352** | **(24,764)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(578)** | **5,617** | **(1,219)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | |
| **Net cash provided by/(used in) discontinued operations** | **0** | **(460)** | **(1,027)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | |
| **Net increase/(decrease) in cash and due from banks** | **12,521** | **9,919** | **6,705** |
| Cash and due from banks at beginning of period | 78,000 | 68,081 | 61,376 |
| **Cash and due from banks at end of period** | **90,521** | **78,000** | **68,081** |

## Supplemental cash flow information

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | | |
| Cash paid for income taxes | 946 | 1,455 | 769 |
| Cash paid for interest | 10,158 | 9,419 | 11,686 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | | |
| Fair value of assets acquired | 3 | 143 | 4 |
| Fair value of liabilities assumed | 0 | 29 | 0 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | | |
| Assets sold | 35 | 687 | 338 |
| Liabilities sold | 7 | 1,084 | 162 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Notes to the consolidated financial statements

## 1 Summary of significant accounting policies

The accompanying consolidated financial statements of Credit Suisse AG (the Bank), a Swiss bank subsidiary of Credit Suisse Group AG (the Group), are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). The financial year for the Bank ends on December 31.

On October 21, 2015, the Group announced its new strategy and organization, which included the introduction of a new segment structure as presented in Note 5 – Segment information. Restructuring expenses of the Bank related to the implementation of the new Group strategy are presented in Note 13 – Restructuring expenses. Reclassifications have been made to the prior year's consolidated financial statements to conform to the current presentation. The reclassifications had no impact on net income/(loss) or total shareholders' equity.

In preparing the consolidated financial statements, management is required to make estimates and assumptions including, but not limited to, the fair value measurements of certain financial assets and liabilities, the allowance for loan losses, the evaluation of variable interest entities (VIEs), the impairment of assets other than loans, recognition of deferred tax assets, tax uncertainties, pension liabilities, as well as various contingencies. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management's estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

▸ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group for a summary of significant accounting policies, with the exception of the following accounting policies.

### Pensions and other post-retirement benefits

Credit Suisse sponsors a Group defined benefit pension plan in Switzerland that covers eligible employees of the Bank domiciled in Switzerland. The Bank also has single-employer defined benefit pension plans and defined contribution pension plans in Switzerland and other countries around the world.

For the Bank's participation in the Group defined benefit pension plan, no retirement benefit obligation is recognized in the consolidated balance sheets of the Bank and defined contribution accounting is applied, as the Bank is not the sponsoring entity of the Group plan.

For single-employer defined benefit plans, the Bank uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31.

Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by Bank management. For example, assumptions have to be made with regard to discount rates, expected return on plan assets and salary increases.

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. In countries where no deep market in high-quality corporate bonds exists, the estimate is based on governmental bonds adjusted to include a risk premium reflecting the additional risk for corporate bonds.

The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy.

Health care cost trend rates are determined by reviewing external data and the Bank's own historical trends for health care costs. Salary increases are determined by reviewing external data and considering internal projections.

The funded status of the Bank's defined benefit post-retirement and pension plans is recognized in the consolidated balance sheets.

Actuarial gains and losses in excess of 10% of the greater of the PBO or the market value of plan assets and unrecognized prior service costs or credits are amortized to net periodic pension and other post-retirement benefit costs on a straight-line basis over the average remaining service life of active employees expected to receive benefits.

The Bank records pension expense for defined contribution plans when the employee renders service to the company, essentially coinciding with the cash contributions to the plans.

### Own shares, own bonds and financial instruments on Group shares

The Bank's shares are wholly-owned by Credit Suisse Group AG and are not subject to trading. The Bank may buy and sell Credit Suisse Group AG shares (Group shares), own bonds and financial instruments on Group shares within its normal trading and market-making activities. In addition, the Bank may hold Group shares to economically hedge commitments arising from employee share-based compensation awards. Group shares are reported as trading assets, unless those shares are held to economically hedge share award obligations. Hedging shares are reported as treasury shares, resulting in a reduction to total shareholder's equity. Financial instruments on Group shares are recorded as assets or liabilities and carried at fair value. Dividends received on Group shares and unrealized and realized gains and losses on Group shares are recorded according to the classification of the shares as trading assets or treasury shares. Purchases of bonds originally issued by the Bank are recorded as an extinguishment of debt.

## 2 Recently issued accounting standards

▸ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group for recently adopted accounting standards and standards to be adopted in future periods.

The impact on the Bank's and Group's financial position, results of operations or cash flows was or is expected to be identical.

## 3 Business developments and subsequent events

▸ Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 4 Discontinued operations

There were no operations that were discontinued in 2015.

▸ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group for further information.

## Income/(loss) from discontinued operations

| in | 2014 | 2013 |
|---|---|---|
| **Operations-related (CHF million)** | | |
| **Net revenues** | **31** | **233** |
| of which German private banking business | 27 | 52 |
| of which ETF business | – | 29 |
| of which Strategic Partners | – | 33 |
| of which CFIG | 0 | 114 |
| Operating expenses | 35 | 158 |
| of which German private banking business | 33 | 71 |
| of which ETF business | – | 23 |
| of which Strategic Partners | – | 8 |
| of which CFIG | 0 | 51 |
| Income tax expense/(benefit) | 1 | 38 |
| of which German private banking business | 0 | (6) |
| of which ETF business | – | 5 |
| of which Strategic Partners | – | 10 |
| of which CFIG | 0 | 29 |
| **Income/(loss), net of tax** | **(5)** | **37** |
| of which German private banking business | (6) | (13) |
| of which ETF business | – | 1 |
| of which Strategic Partners | – | 15 |
| of which CFIG | 0 | 34 |
| **Transaction-related (CHF million)** | | |
| **Gain on disposal** | **200** | **237** |
| of which German private banking business | 109 | – |
| of which ETF business | – | 146 |
| of which Strategic Partners | – | 91 |
| of which CFIG | 91 | – |
| Operating expenses | 54 | 93 |
| of which German private banking business | 48 | – |
| of which ETF business | – | 11 |
| of which Strategic Partners | – | 22 |
| of which CFIG | 0 | 56 |
| Income tax expense/(benefit) | 39 | 36 |
| of which ETF business | – | 21 |
| of which Strategic Partners | – | 40 |
| of which CFIG | 42 | (24) |
| **Income/(loss), net of tax** | **107** | **108** |
| of which German private banking business | 61 | – |
| of which ETF business | – | 114 |
| of which Strategic Partners | – | 29 |
| of which CFIG | 49 | (32) |
| **Discontinued operations – total (CHF million)** | | |
| **Income/(loss) from discontinued operations, net of tax** | **102** | **145** |
| of which German private banking business | 55 | (13) |
| of which ETF business | – | 115 |
| of which Strategic Partners | – | 44 |
| of which CFIG | 49 | 2 |

## 5 Segment information

For the purposes of the presentation of reportable segments, the Bank has included accounts of affiliate entities wholly owned by the same parent which are managed together with the operating segments of the Bank. These affiliate entities include certain bank and trust affiliates, primarily managed by Swiss Universal Bank. Income from continuing operations before taxes of these non-consolidated affiliate entities included in the segment presentation for the years ended December 31, 2015, 2014 and 2013 was CHF 279 million, CHF 264 million and CHF 243 million, respectively. For the same periods, net revenues of these non-consolidated affiliate entities included in the segment presentation were CHF 644 million, CHF 656 million and CHF 659 million, respectively, and total assets of these non-consolidated affiliate entities included in the segment presentation as of December 31, 2015 and 2014, were CHF 27.6 billion and CHF 25.7 billion, respectively.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Net revenues and income/(loss) from continuing operations before taxes

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Swiss Universal Bank | 5,563 | 5,721 | 5,612 |
| International Wealth Management | 4,394 | 4,751 | 4,929 |
| Asia Pacific | 3,839 | 3,335 | 3,018 |
| Global Markets | 7,391 | 8,613 | 8,974 |
| Investment Banking & Capital Markets | 1,752 | 2,106 | 2,014 |
| Strategic Resolution Unit | 413 | 1,168 | 1,630 |
| Adjustments [1] | (141) | (105) | (863) |
| **Net revenues** | **23,211** | **25,589** | **25,314** |
| **Income/(loss) before taxes (CHF million)** | | | |
| Swiss Universal Bank | 1,659 | 1,976 | 1,740 |
| International Wealth Management | 709 | 1,212 | 1,217 |
| Asia Pacific | 377 | 900 | 752 |
| Global Markets | (1,944) | 2,657 | 3,012 |
| Investment Banking & Capital Markets | (353) | 508 | 581 |
| Strategic Resolution Unit | (2,510) | (3,573) | (2,558) |
| Adjustments [1] | (876) | (719) | (1,090) |
| **Income/(loss) from continuing operations before taxes** | **(2,938)** | **2,961** | **3,654** |

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.

### Total assets

| end of | **2015** | 2014 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Swiss Universal Bank | 218,306 | 213,888 |
| International Wealth Management | 94,033 | 92,466 |
| Asia Pacific | 85,929 | 105,574 |
| Global Markets | 262,201 | 365,580 |
| Investment Banking & Capital Markets | 19,800 | 14,928 |
| Strategic Resolution Unit | 77,664 | 107,464 |
| Adjustments [1] | 45,998 | 4,949 |
| **Total assets** | **803,931** | **904,849** |

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.

### Net revenues and income/(loss) from continuing operations before taxes by geographic location

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Switzerland | 7,967 | 7,585 | 7,479 |
| EMEA | 3,819 | 4,301 | 4,797 |
| Americas | 8,514 | 11,173 | 10,831 |
| Asia Pacific | 2,911 | 2,530 | 2,207 |
| **Net revenues** | **23,211** | **25,589** | **25,314** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Switzerland | 1,315 | (179) | 300 |
| EMEA | (1,493) | (621) | 195 |
| Americas | (2,909) | 3,723 | 3,301 |
| Asia Pacific | 149 | 38 | (142) |
| **Income/(loss) from continuing operations before taxes** | **(2,938)** | **2,961** | **3,654** |

The designation of net revenues and income/(loss) from continuing operations before taxes is based on the location of the office recording the transactions. This presentation does not reflect the way the Bank is managed.

### Total assets by geographic location

| end of | 2015 | 2014 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Switzerland | 204,715 | 195,512 |
| EMEA | 162,093 | 187,921 |
| Americas | 355,481 | 428,195 |
| Asia Pacific | 81,642 | 93,221 |
| **Total assets** | **803,931** | **904,849** |

The designation of total assets by region is based upon customer domicile.

## 6 Net interest income

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Net interest income (CHF million)** | | | |
| Loans | 4,957 | 4,606 | 4,319 |
| Investment securities | 63 | 27 | 28 |
| Trading assets | 9,045 | 9,507 | 10,058 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 2,622 | 2,317 | 2,517 |
| Other | 2,170 | 2,128 | 2,095 |
| Interest and dividend income | 18,857 | 18,585 | 19,017 |
| Deposits | (864) | (1,035) | (958) |
| Short-term borrowings | (105) | (119) | (67) |
| Trading liabilities | (3,855) | (3,938) | (5,083) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (1,264) | (1,042) | (1,155) |
| Long-term debt | (3,696) | (3,484) | (3,796) |
| Other | (206) | (290) | (248) |
| Interest expense | (9,990) | (9,908) | (11,307) |
| **Net interest income** | **8,867** | **8,677** | **7,710** |

## 7 Commissions and fees

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Commissions and fees (CHF million)** | | | |
| Lending business | 1,532 | 1,711 | 1,774 |
| Investment and portfolio management | 3,319 | 3,630 | 3,854 |
| Other securities business | 66 | 94 | 101 |
| Fiduciary business | 3,385 | 3,724 | 3,955 |
| Underwriting | 1,659 | 1,911 | 1,681 |
| Brokerage | 3,616 | 3,669 | 3,901 |
| Underwriting and brokerage | 5,275 | 5,580 | 5,582 |
| Other services | 1,654 | 1,872 | 1,746 |
| **Commissions and fees** | **11,846** | **12,887** | **13,057** |

## 8 Trading revenues

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Trading revenues (CHF million)** | | | |
| Interest rate products | 2,947 | 5,661 | 1,048 |
| Foreign exchange products | (1,127) | (4,405) | 1,201 |
| Equity/index-related products | (276) | 273 | 952 |
| Credit products | 1 | 265 | (879) |
| Commodity, emission and energy products | (46) | (228) | 340 |
| Other products | (201) | 224 | 93 |
| **Total** | **1,298** | **1,790** | **2,755** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to "Note 8 – Trading revenues" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 9 Other revenues

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Other revenues (CHF million)** | | | |
| Noncontrolling interests without significant economic interest | 3 | 451 | 695 |
| Loans held-for-sale | (19) | (4) | (5) |
| Long-lived assets held-for-sale | 34 | 391 | 30 |
| Equity method investments | 210 | 239 | 240 |
| Other investments | 147 | 276 | 255 |
| Other | 825 | 882 | 577 |
| **Other revenues** | **1,200** | **2,235** | **1,792** |

## 10 Provision for credit losses

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | |
| Provision for loan losses | 248 | 85 | 91 |
| Provision for lending-related and other exposures | 28 | 40 | 2 |
| **Provision for credit losses** | **276** | **125** | **93** |

## 11 Compensation and benefits

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | |
| Salaries and variable compensation | 9,826 | 9,685 | 9,455 |
| Social security | 771 | 775 | 763 |
| Other [1] | 926 | 922 | 969 |
| **Compensation and benefits** [2] | **11,523** | **11,382** | **11,187** |

[1] Includes pension and other post-retirement expense of CHF 579 million, CHF 624 million and CHF 658 million in 2015, 2014 and 2013, respectively.
[2] Includes severance and other compensation expense relating to headcount reductions of CHF 89 million, CHF 274 million and CHF 216 million in 2015, 2014 and 2013, respectively.

## 12 General and administrative expenses

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | |
| Occupancy expenses | 1,004 | 1,161 | 1,168 |
| IT, machinery, etc. | 1,254 | 1,436 | 1,508 |
| Provisions and losses | 1,157 | 2,782 | 2,136 |
| Travel and entertainment | 366 | 339 | 342 |
| Professional services | 3,188 | 2,338 | 1,912 |
| Amortization and impairment of other intangible assets | 19 | 24 | 25 |
| Other | 1,626 | 1,493 | 1,551 |
| **General and administrative expenses** | **8,614** | **9,573** | **8,642** |

## 13 Restructuring expenses

▸ Refer to "Note 13 – Restructuring expenses" in V – Consolidated financial statements – Credit Suisse Group for further information.

In connection with the strategic review of the Bank, restructuring expenses of CHF 325 million were recognized in 2015.

### Restructuring expenses by segment

| in | 2015 |
|---|---|
| **Restructuring expenses by segment (CHF million)** | |
| Swiss Universal Bank | 39 |
| International Wealth Management | 33 |
| Asia Pacific | 3 |
| Global Markets | 105 |
| Investment Banking & Capital Markets | 22 |
| Strategic Resolution Unit | 153 |
| Adjustments | (30) [1] |
| **Total restructuring expenses** | **325** |

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa.

### Restructuring expenses by type

| in | 2015 |
|---|---|
| **Restructuring expenses by type (CHF million)** | |
| Compensation and benefits-related expenses | 279 |
| of which severance expenses | 191 |
| of which accelerated deferred compensation | 87 |
| of which pension expenses | 1 |
| General and administrative-related expenses | 46 |
| **Total restructuring expenses** | **325** |

### Restructuring provision

| | 2015 | | |
|---|---|---|---|
| | Severance expense | General and administrative-related expenses | Total |
| **Restructuring provision (CHF million)** | | | |
| **Balance at beginning of period** | **0** | **0** | **0** |
| Net additional charges | 191 | 46 | 237 [1] |
| Utilization | (4) | (34) | (38) |
| **Balance at end of period** | **187** | **12** | **199** |

[1] The following items for which expense accretion was accelerated in 2015 due to the restructuring of the Bank are not included in the restructuring provision: unsettled share-based compensation of CHF 23 million and unsettled pension obligations of CHF 1 million, which remain classified as a component of total shareholder's equity; and unsettled cash-based deferred compensation of CHF 64 million, which remains classified as compensation liabilities. The settlement date for the unsettled share-based compensation remains unchanged at three years.

## 14 Securities borrowed, lent and subject to repurchase agreements

| end of | 2015 | 2014 |
|---|---|---|
| **Securities borrowed or purchased under agreements to resell (CHF million)** | | |
| Central bank funds sold and securities purchased under resale agreements | 78,861 | 100,169 |
| Deposits paid for securities borrowed | 44,575 | 63,039 |
| **Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions** | **123,436** | **163,208** |
| **Securities lent or sold under agreements to repurchase (CHF million)** | | |
| Central bank funds purchased and securities sold under repurchase agreements | 36,754 | 60,752 |
| Deposits received for securities lent | 9,844 | 9,367 |
| **Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions** | **46,598** | **70,119** |

▸ Refer to "Note 15 – Securities borrowed, lent and subject to repurchase agreements" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 15 Trading assets and liabilities

| end of | 2015 | 2014 |
|---|---|---|
| **Trading assets (CHF million)** | | |
| Debt securities | 80,546 | 94,405 |
| Equity securities | 71,102 | 94,493 |
| Derivative instruments [1] | 28,579 | 37,979 |
| Other | 10,869 | 14,436 |
| **Trading assets** | **191,096** | **241,313** |
| **Trading liabilities (CHF million)** | | |
| Short positions | 25,509 | 35,799 |
| Derivative instruments [1] | 23,545 | 36,868 |
| **Trading liabilities** | **49,054** | **72,667** |

[1] Amounts shown after counterparty and cash collateral netting.

### Cash collateral on derivative instruments

| end of | 2015 | 2014 |
|---|---|---|
| **Cash collateral – netted (CHF million) [1]** | | |
| Cash collateral paid | 32,127 | 33,716 |
| Cash collateral received | 22,027 | 28,505 |
| **Cash collateral – not netted (CHF million) [2]** | | |
| Cash collateral paid | 7,987 | 10,909 |
| Cash collateral received | 13,991 | 16,776 |

[1] Recorded as cash collateral netting on derivative instruments in Note 26 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 22 – Other assets and other liabilities.

## 16 Investment securities

| end of | 2015 | 2014 |
|---|---|---|
| **Investment securities (CHF million)** | | |
| Securities available-for-sale | 2,698 | 2,379 |
| **Total investment securities** | **2,698** | **2,379** |

### Investment securities by type

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** |
| **2015 (CHF million)** | | | | | | | | |
| Debt securities issued by foreign governments | 1,292 | 30 | 0 | 1,322 | 1,919 | 43 | 0 | 1,962 |
| Corporate debt securities | 281 | 0 | 0 | 281 | 309 | 0 | 0 | 309 |
| Residential mortgage-backed securities | 750 | 0 | 0 | 750 | 0 | 0 | 0 | 0 |
| Commercial mortgage-backed securities | 259 | 0 | 0 | 259 | 0 | 0 | 0 | 0 |
| Debt securities available-for-sale | 2,582 | 30 | 0 | 2,612 | 2,228 | 43 | 0 | 2,271 |
| Banks, trust and insurance companies | 65 | 20 | 0 | 85 | 72 | 25 | 0 | 97 |
| Industry and all other | 1 | 0 | 0 | 1 | 11 | 0 | 0 | 11 |
| Equity securities available-for-sale | 66 | 20 | 0 | 86 | 83 | 25 | 0 | 108 |
| **Securities available-for-sale** | **2,648** | **50** | **0** | **2,698** | **2,311** | **68** | **0** | **2,379** |

There were no unrealized losses on investment securities in 2015 and 2014. No significant impairment was recorded as the Bank does not intend to sell the investments, nor is it more likely than not that the Bank will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| in | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | Debt securities | Equity securities | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | | | |
| Proceeds from sales | 1 | 17 | 103 | 15 | 163 | 13 |
| Realized gains | 0 | 2 | 0 | 1 | 7 | 1 |

### Amortized cost, fair value and average yield of debt securities

| | Debt securities available-for-sale | | |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **2015 (CHF million)** | | | |
| Due within 1 year | 271 | 271 | 0.15 |
| Due from 1 to 5 years | 1,302 | 1,333 | 0.78 |
| Due from 5 to 10 years | 1 | 0 | 14.74 |
| Due after 10 years | 1,008 | 1,008 | 2.98 |
| **Total debt securities** | **2,582** | **2,612** | **1.57** |

## 17 Other investments

| end of | 2015 | 2014 |
|---|---|---|
| **Other investments (CHF million)** | | |
| Equity method investments | 2,728 | 3,397 |
| Non-marketable equity securities [1] | 1,951 | 2,667 |
| Real estate held for investment [2] | 375 | 507 |
| Life finance instruments [3] | 1,733 | 1,896 |
| **Total other investments** | **6,787** | **8,467** |

[1] Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Bank has neither significant influence nor control over the investee.
[2] As of December 31, 2015 and 2014, real estate held for investment included foreclosed or repossessed real estate of CHF 37 million and CHF 39 million, respectively, of which CHF 36 million and CHF 39 million, respectively were related to residential real estate.
[3] Includes life settlement contracts at investment method and SPIA contracts.

Non-marketable equity securities include investments in entities that regularly calculate net asset value per share or its equivalent.

▸ Refer to "Note 34 – Financial instruments" for further information on such investments.

Substantially all non-marketable equity securities are carried at fair value. There were no non-marketable equity securities not carried at fair value that have been in a continuous unrealized loss position.

The Bank performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing a new cost base. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. Impairments of CHF 21 million, CHF 10 million and CHF 48 million were recorded in 2015, 2014 and 2013, respectively.

Accumulated depreciation related to real estate held for investment amounted to CHF 319 million, CHF 304 million and CHF 289 million for 2015, 2014 and 2013, respectively.

▸ Refer to "Note 18 – Other investments" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 18 Loans, allowance for loan losses and credit quality

| end of | 2015 | 2014 |
|---|---|---|
| **Loans (CHF million)** | | |
| Mortgages | 88,566 | 84,527 |
| Loans collateralized by securities | 37,833 | 39,712 |
| Consumer finance | 1,092 | 1,582 |
| Consumer | 127,491 | 125,821 |
| Real estate | 23,561 | 26,279 |
| Commercial and industrial loans | 74,967 | 72,191 |
| Financial institutions | 26,375 | 28,654 |
| Governments and public institutions | 3,445 | 3,746 |
| Corporate & institutional | 128,348 | 130,870 |
| **Gross loans** | **255,839** | **256,691** |
| of which held at amortized cost | 235,019 | 233,778 |
| of which held at fair value | 20,820 | 22,913 |
| Net (unearned income)/deferred expenses | (200) | (166) |
| Allowance for loan losses | (724) | (597) |
| **Net loans** | **254,915** | **255,928** |
| **Gross loans by location (CHF million)** | | |
| Switzerland | 137,729 | 139,211 |
| Foreign | 118,110 | 117,480 |
| **Gross loans** | **255,839** | **256,691** |
| **Impaired loan portfolio (CHF million)** | | |
| Non-performing loans | 810 | 564 |
| Non-interest-earning loans | 251 | 257 |
| Total non-performing and non-interest-earning loans | 1,061 | 821 |
| Restructured loans | 282 | 171 |
| Potential problem loans | 373 | 140 |
| Total other impaired loans | 655 | 311 |
| **Gross impaired loans** | **1,716** | **1,132** |

## Allowance for loan losses

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **131** | **466** | **597** | **134** | **557** | **691** | **143** | **578** | **721** |
| Changes in scope of consolidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1) | (1) |
| Net movements recognized in statements of operations | 21 | 227 | 248 | 7 | 78 | 85 | 7 | 84 | 91 |
| Gross write-offs | (51) | (107) | (158) | (35) | (232) | (267) | (38) | (147) | (185) |
| Recoveries | 6 | 16 | 22 | 12 | 24 | 36 | 20 | 30 | 50 |
| Net write-offs | (45) | (91) | (136) | (23) | (208) | (231) | (18) | (117) | (135) |
| Provisions for interest | 7 | 12 | 19 | 3 | 19 | 22 | 5 | 20 | 25 |
| Foreign currency translation impact and other adjustments, net | (1) | (3) | (4) | 10 | 20 | 30 | (3) | (7) | (10) |
| **Balance at end of period** | **113** | **611** | **724** | **131** | **466** | **597** | **134** | **557** | **691** |
| of which individually evaluated for impairment | 84 | 455 | 539 | 104 | 309 | 413 | 104 | 407 | 511 |
| of which collectively evaluated for impairment | 29 | 156 | 185 | 27 | 157 | 184 | 30 | 150 | 180 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **127,471** | **107,548** | **235,019** | **125,804** | **107,974** | **233,778** | **115,601** | **96,939** | **212,540** |
| of which individually evaluated for impairment [1] | 468 | 1,248 | 1,716 | 393 | 739 | 1,132 | 354 | 840 | 1,194 |
| of which collectively evaluated for impairment | 127,003 | 106,300 | 233,303 | 125,411 | 107,235 | 232,646 | 115,247 | 96,099 | 211,346 |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| in | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 389 | 4,294 | 4,683 | 181 | 4,127 | 4,308 | 0 | 4,611 | 4,611 |
| Reclassifications from loans held-for-sale [2] | 0 | 355 | 355 | 0 | 397 | 397 | 0 | 275 | 275 |
| Reclassifications to loans held-for-sale [3] | 1,641 | 735 | 2,376 | 1,055 | 806 | 1,861 | 0 | 996 | 996 |
| Sales [3] | 0 | 373 | 373 | 0 | 272 | 272 | 0 | 698 | 698 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

### Gross loans held at amortized cost by internal counterparty rating

| | Investment grade | Non-investment grade | | |
|---|---|---|---|---|
| end of | Ratings AAA to BBB | Ratings BB to C | Rating D | **Total** |
| **2015 (CHF million)** | | | | |
| Mortgages | 79,664 | 8,697 | 205 | 88,566 |
| Loans collateralized by securities | 36,028 | 1,667 | 138 | 37,833 |
| Consumer finance | 743 | 231 | 98 | 1,072 |
| Consumer | 116,435 | 10,595 | 441 | 127,471 |
| Real estate | 17,717 | 4,995 | 77 | 22,789 |
| Commercial and industrial loans | 31,720 | 30,898 | 802 | 63,420 |
| Financial institutions | 17,445 | 2,951 | 149 | 20,545 |
| Governments and public institutions | 691 | 103 | 0 | 794 |
| Corporate & institutional | 67,573 | 38,947 | 1,028 | 107,548 |
| **Gross loans held at amortized cost** | **184,008** | **49,542** | **1,469** | **235,019** |
| Value of collateral [1] | 166,086 | 41,583 | 957 | 208,626 |
| **2014 (CHF million)** | | | | |
| Mortgages | 72,844 | 11,527 | 156 | 84,527 |
| Loans collateralized by securities | 37,338 | 2,288 | 86 | 39,712 |
| Consumer finance | 1,235 | 235 | 95 | 1,565 |
| Consumer | 111,417 | 14,050 | 337 | 125,804 |
| Real estate | 19,169 | 6,020 | 67 | 25,256 |
| Commercial and industrial loans | 30,156 | 29,890 | 475 | 60,521 |
| Financial institutions | 18,209 | 2,619 | 106 | 20,934 |
| Governments and public institutions | 850 | 413 | 0 | 1,263 |
| Corporate & institutional | 68,384 | 38,942 | 648 | 107,974 |
| **Gross loans held at amortized cost** | **179,801** | **52,992** | **985** | **233,778** |
| Value of collateral [1] | 162,598 | 43,141 | 564 | 206,303 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, the value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Bank's risk management policies and directives, with maximum review periods determined by property type, market liquidity, market transparency and appraisal cost.

Since the fourth quarter of 2015, the Bank's internal credit rating methodology for lombard loans in the Bank's main locations in the Asia Pacific region across all loan classes considers the quality and diversification of collateral securities as a basis for determining the internal risk rating both for regulatory and financial reporting purposes. The change in the internal rating methodology for lombard loans in these locations did not have a significant impact on the Bank's total investment grade and non-investment grade loans.

## Gross loans held at amortized cost – aging analysis

| | Current | Past due | | | | |
|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31-60 days | 61-90 days | More than 90 days | Total | **Total** |
| **2015 (CHF million)** | | | | | | | |
| Mortgages | 88,326 | 78 | 16 | 8 | 138 | 240 | 88,566 |
| Loans collateralized by securities | 37,476 | 214 | 7 | 1 | 135 | 357 | 37,833 |
| Consumer finance | 875 | 120 | 7 | 19 | 51 | 197 | 1,072 |
| Consumer | 126,677 | 412 | 30 | 28 | 324 | 794 | 127,471 |
| Real estate | 22,708 | 24 | 3 | 0 | 54 | 81 | 22,789 |
| Commercial and industrial loans | 62,379 | 498 | 105 | 68 | 370 | 1,041 | 63,420 |
| Financial institutions | 20,299 | 90 | 45 | 2 | 109 | 246 | 20,545 |
| Governments and public institutions | 793 | 1 | 0 | 0 | 0 | 1 | 794 |
| Corporate & institutional | 106,179 | 613 | 153 | 70 | 533 | 1,369 | 107,548 |
| **Gross loans held at amortized cost** | **232,856** | **1,025** | **183** | **98** | **857** | **2,163** | **235,019** |
| **2014 (CHF million)** | | | | | | | |
| Mortgages | 84,269 | 97 | 13 | 8 | 140 | 258 | 84,527 |
| Loans collateralized by securities | 39,542 | 81 | 1 | 1 | 87 | 170 | 39,712 |
| Consumer finance | 1,372 | 123 | 7 | 23 | 40 | 193 | 1,565 |
| Consumer | 125,183 | 301 | 21 | 32 | 267 | 621 | 125,804 |
| Real estate | 25,167 | 23 | 1 | 4 | 61 | 89 | 25,256 |
| Commercial and industrial loans | 59,555 | 659 | 15 | 37 | 255 | 966 | 60,521 |
| Financial institutions | 20,771 | 41 | 0 | 0 | 122 | 163 | 20,934 |
| Governments and public institutions | 1,238 | 25 | 0 | 0 | 0 | 25 | 1,263 |
| Corporate & institutional | 106,731 | 748 | 16 | 41 | 438 | 1,243 | 107,974 |
| **Gross loans held at amortized cost** | **231,914** | **1,049** | **37** | **73** | **705** | **1,864** | **233,778** |

## Gross impaired loans by category

| | Non-performing and non-interest earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing loans | Non-interest-earning loans | Total | Restructured loans | Potential problem loans | Total | **Total** |
| **2015 (CHF million)** | | | | | | | |
| Mortgages | 173 | 13 | 186 | 18 | 25 | 43 | 229 [1] |
| Loans collateralized by securities | 108 | 27 | 135 | 0 | 3 | 3 | 138 |
| Consumer finance | 77 | 23 | 100 | 0 | 1 | 1 | 101 |
| Consumer | 358 | 63 | 421 | 18 | 29 | 47 | 468 |
| Real estate | 51 | 19 | 70 | 0 | 11 | 11 | 81 |
| Commercial and industrial loans | 314 | 119 | 433 | 263 | 298 | 561 | 994 |
| Financial institutions | 87 | 50 | 137 | 1 | 35 | 36 | 173 |
| Corporate & institutional | 452 | 188 | 640 | 264 | 344 | 608 | 1,248 |
| **Gross impaired loans** | **810** | **251** | **1,061** | **282** | **373** | **655** | **1,716** |
| **2014 (CHF million)** | | | | | | | |
| Mortgages | 166 | 17 | 183 | 4 | 23 | 27 | 210 [1] |
| Loans collateralized by securities | 11 | 75 | 86 | 0 | 2 | 2 | 88 |
| Consumer finance | 78 | 17 | 95 | 0 | 0 | 0 | 95 |
| Consumer | 255 | 109 | 364 | 4 | 25 | 29 | 393 |
| Real estate | 49 | 15 | 64 | 0 | 9 | 9 | 73 |
| Commercial and industrial loans | 172 | 98 | 270 | 167 | 103 | 270 | 540 |
| Financial institutions | 88 | 35 | 123 | 0 | 3 | 3 | 126 |
| Corporate & institutional | 309 | 148 | 457 | 167 | 115 | 282 | 739 |
| **Gross impaired loans** | **564** | **257** | **821** | **171** | **140** | **311** | **1,132** |

[1] As of December 31, 2015 and 2014, CHF 57 million and CHF 66 million, respectively, were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

As of December 31, 2015 and 2014, loans held-to-maturity carried at amortized cost did not include any subprime residential mortgages. Accordingly, impaired loans did not include any subprime residential mortgages. As of December 31, 2015 and 2014, the Bank did not have any material commitments to lend additional funds to debtors whose loan terms have been modified in troubled debt restructurings.

## Gross impaired loan details

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 163 | 153 | 19 | 166 | 154 | 19 |
| Loans collateralized by securities | 117 | 112 | 14 | 63 | 60 | 53 |
| Consumer finance | 94 | 88 | 51 | 88 | 87 | 32 |
| Consumer | 374 | 353 | 84 | 317 | 301 | 104 |
| Real estate | 57 | 52 | 7 | 65 | 62 | 7 |
| Commercial and industrial loans | 760 | 745 | 365 | 533 | 507 | 230 |
| Financial institutions | 171 | 166 | 83 | 125 | 120 | 72 |
| Corporate & institutional | 988 | 963 | 455 | 723 | 689 | 309 |
| **Gross impaired loans with a specific allowance** | **1,362** | **1,316** | **539** | **1,040** | **990** | **413** |
| Mortgages | 66 | 65 | – | 44 | 43 | – |
| Loans collateralized by securities | 21 | 22 | – | 25 | 25 | – |
| Consumer finance | 7 | 7 | – | 7 | 7 | – |
| Consumer | 94 | 94 | – | 76 | 75 | – |
| Real estate | 24 | 24 | – | 8 | 7 | – |
| Commercial and industrial loans | 234 | 234 | – | 7 | 7 | – |
| Financial institutions | 2 | 2 | – | 1 | 1 | – |
| Corporate & institutional | 260 | 260 | – | 16 | 15 | – |
| **Gross impaired loans without specific allowance** | **354** | **354** | **–** | **92** | **90** | **–** |
| **Gross impaired loans** | **1,716** | **1,670** | **539** | **1,132** | **1,080** | **413** |
| of which consumer | 468 | 447 | 84 | 393 | 376 | 104 |
| of which corporate & institutional | 1,248 | 1,223 | 455 | 739 | 704 | 309 |

## Gross impaired loan details (continued)

| in | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 152 | 1 | 1 | 163 | 2 [1] | 2 [1] | 154 | 3 [1] | 2 [1] |
| Loans collateralized by securities | 82 | 0 | 0 | 65 | 1 [1] | 1 [1] | 70 | 2 | 2 |
| Consumer finance | 92 | 1 | 1 | 81 | 1 | 1 | 87 | 0 | 0 |
| Consumer | 326 | 2 | 2 | 309 | 4 | 4 | 311 | 5 | 4 |
| Real estate | 67 | 0 | 0 | 74 | 0 | 0 | 67 | 1 | 1 |
| Commercial and industrial loans | 566 | 7 | 1 | 597 | 10 [1] | 4 [1] | 669 | 12 [1] | 6 [1] |
| Financial institutions | 149 | 1 | 1 | 127 | 0 | 0 | 136 | 1 [1] | 1 [1] |
| Governments and public institutions | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 782 | 8 | 2 | 803 | 10 | 4 | 872 | 14 | 8 |
| **Gross impaired loans with a specific allowance** | **1,108** | **10** | **4** | **1,112** | **14** | **8** | **1,183** | **19** | **12** |
| Mortgages | 46 | 3 | 0 | 30 | 5 [1] | 0 | 19 | 3 [1] | 0 |
| Loans collateralized by securities | 33 | 0 | 0 | 29 | 1 [1] | 1 [1] | 27 | 0 | 0 |
| Consumer finance | 7 | 0 | 0 | 21 | 0 | 0 | 22 | 0 | 0 |
| Consumer | 86 | 3 | 0 | 80 | 6 | 1 | 68 | 3 | 0 |
| Real estate | 9 | 1 | 0 | 9 | 4 [1] | 0 | 11 | 0 | 0 |
| Commercial and industrial loans | 97 | 3 | 0 | 17 | 3 [1] | 0 | 58 | 5 [1] | 0 |
| Financial institutions | 4 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| Corporate & institutional | 110 | 4 | 0 | 26 | 7 | 0 | 71 | 5 | 0 |
| **Gross impaired loans without specific allowance** | **196** | **7** | **0** | **106** | **13** | **1** | **139** | **8** | **0** |
| **Gross impaired loans** | **1,304** | **17** | **4** | **1,218** | **27** | **9** | **1,322** | **27** | **12** |
| of which consumer | 412 | 5 | 2 | 389 | 10 | 5 | 379 | 8 | 4 |
| of which corporate & institutional | 892 | 12 | 2 | 829 | 17 | 4 | 943 | 19 | 8 |

[1] Prior period has been corrected.

## Restructured loans held at amortized cost

| in | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | | | | |
| Mortgages | 1 | 13 | 13 | 1 | 4 | 4 | 0 | 0 | 0 |
| Loans collateralized by securities | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Consumer finance | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Commercial and industrial loans | 13 | 207 | 210 | 10 | 290 | 238 | 5 | 27 | 25 |
| Financial institutions | 1 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **16** | **222** | **225** | **11** | **294** | **242** | **6** | **28** | **25** |

In 2015, the Bank reported the default of one loan within commercial and industrial loans with a recorded investment amount of CHF 65 million, which had been restructured within the previous 12 months. In 2014 and 2013, the Bank did not experience a default of such loans.

In 2015, the loan modifications of the Bank included interest rate reductions to rates lower than the current market rate for new loans with similar risk, extended repayment terms, waivers of loan covenants, partial loan waivers, reductions of accrued interest and added penalty interest.

▸ Refer to "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 19 Premises and equipment

| end of | 2015 | 2014 |
|---|---|---|
| **Premises and equipment (CHF million)** | | |
| Buildings and improvements | 2,110 | 2,087 |
| Land | 394 | 396 |
| Leasehold improvements | 2,045 | 2,162 |
| Software | 5,889 | 6,476 |
| Equipment | 1,946 | 2,304 |
| **Premises and equipment** | **12,384** | **13,425** |
| Accumulated depreciation | (7,945) | (8,984) |
| **Total premises and equipment, net** | **4,439** | **4,441** |

### Depreciation and impairment

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **CHF million** | | | |
| Depreciation | 1,002 | 1,224 | 1,227 |
| Impairment | 24 | 23 | 65 |

## 20 Goodwill

### Goodwill

| 2015 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse (Bank)** |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **456** | **1,495** | **2,058** | **2,919** | **920** | **12** | **7,860** |
| Foreign currency translation impact | (2) | (7) | (4) | (4) | 0 | 0 | (17) |
| Other | (1) | (1) | (8) | (10) | (3) | 0 | (23) |
| **Balance at end of period** | **453** | **1,487** | **2,046** | **2,905** | **917** | **12** | **7,820** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **16** | **58** | **8** | **12** | **94** |
| Impairment losses | 0 | 0 | 756 | 2,661 | 380 | 0 | 3,797 |
| **Balance at end of period** | **0** | **0** | **772** | **2,719** | **388** | **12** | **3,891** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **453** | **1,487** | **1,274** | **186** | **529** | **0** | **3,929** |

## Goodwill (continued)

| 2014 | Swiss Universal Bank | International Wealth Management | Asia Pacific | Global Markets | Investment Banking & Capital Markets | Strategic Resolution Unit | **Credit Suisse (Bank)** |
|---|---|---|---|---|---|---|---|
| **Gross amount of goodwill (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **427** | **1,381** | **1,886** | **2,667** | **842** | **12** | **7,215** |
| Goodwill acquired during the year | 0 | 22 | 0 | 0 | 0 | 0 | 22 |
| Foreign currency translation impact | 29 | 126 | 172 | 254 | 80 | 0 | 661 |
| Other | 0 | (34) | 0 | (2) | (2) | 0 | (38) |
| **Balance at end of period** | **456** | **1,495** | **2,058** | **2,919** | **920** | **12** | **7,860** |
| **Accumulated impairment (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **0** | **0** | **16** | **58** | **8** | **12** | **94** |
| **Balance at end of period** | **0** | **0** | **16** | **58** | **8** | **12** | **94** |
| **Net book value (CHF million)** | | | | | | | |
| **Net book value** | **456** | **1,495** | **2,042** | **2,861** | **912** | **0** | **7,766** |

▸ Refer to "Note 21 – Goodwill" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 21 Other intangible assets

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Gross carrying amount | Accumulated amortization | Net carrying amount | Gross carrying amount | Accumulated amortization | Net carrying amount |
| **Other intangible assets (CHF million)** | | | | | | |
| Trade names/trademarks | 27 | (25) | 2 | 27 | (24) | 3 |
| Client relationships | 113 | (70) | 43 | 201 | (92) | 109 |
| Other | 5 | (3) | 2 | 11 | (3) | 8 |
| **Total amortizing other intangible assets** | **145** | **(98)** | **47** | **239** | **(119)** | **120** |
| Non-amortizing other intangible assets | 149 | – | 149 | 129 | – | 129 |
| of which mortgage servicing rights, at fair value | 112 | – | 112 | 70 | – | 70 |
| **Total other intangible assets** | **294** | **(98)** | **196** | **368** | **(119)** | **249** |

## Additional information

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Aggregate amortization and impairment (CHF million)** | | | |
| Aggregate amortization | 18 | 22 | 24 |
| Impairment | 16 | 1 | 8 |
| of which related to restructuring expenses | 15 | – | – |
| of which related to discontinued operations | 0 | 0 | 7 |

### Estimated amortization

| Estimated amortization (CHF million) | |
|---|---|
| 2016 | 8 |
| 2017 | 8 |
| 2018 | 8 |
| 2019 | 5 |
| 2020 | 3 |

## 22 Other assets and other liabilities

| end of | 2015 | 2014 |
|---|---|---|
| **Other assets (CHF million)** | | |
| Cash collateral on derivative instruments | 7,987 | 10,909 |
| Cash collateral on non-derivative transactions | 327 | 3,238 |
| Derivative instruments used for hedging | 186 | 1,539 |
| Assets held-for-sale | 26,061 | 26,544 |
| of which loans [1] | 25,839 | 25,911 |
| of which real estate [2] | 182 | 535 |
| of which long-lived assets | 40 | 98 |
| Assets held for separate accounts | 1,307 | 5,650 |
| Interest and fees receivable | 5,643 | 6,229 |
| Deferred tax assets | 6,068 | 6,064 |
| Prepaid expenses | 442 | 511 |
| Failed purchases | 2,770 | 3,138 |
| Other | 7,119 | 6,689 |
| **Other assets** | **57,910** | **70,511** |
| **Other liabilities (CHF million)** | | |
| Cash collateral on derivative instruments | 13,991 | 16,776 |
| Cash collateral on non-derivative transactions | 518 | 797 |
| Derivative instruments used for hedging | 110 | 469 |
| Provisions | 1,841 | 1,347 |
| of which off-balance sheet risk | 87 | 102 |
| Restructuring liabilities | 199 | 0 |
| Liabilities held for separate accounts | 1,307 | 5,650 |
| Interest and fees payable | 5,926 | 6,465 |
| Current tax liabilities | 577 | 782 |
| Deferred tax liabilities | 41 | 33 |
| Failed sales | 1,551 | 1,313 |
| Other | 15,654 | 17,016 |
| **Other liabilities** | **41,715** | **50,648** |

[1] Included as of December 31, 2015 and December 31, 2014 were CHF 1,135 million and CHF 1,103 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 60 million and CHF 226 million, respectively, in loans held in trusts, which are consolidated as a result of failed sales under US GAAP.

[2] As of the end of December 31, 2015 and December 31, 2014, real estate held-for-sale included foreclosed or repossessed real estate of CHF 31 million and CHF 169 million, respectively, of which CHF 3 million and CHF 2 million, respectively, were related to residential real estate.

## 23 Deposits

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Switzerland | Foreign | Total | Switzerland | Foreign | Total |
| **Deposits (CHF million)** | | | | | | |
| Non-interest-bearing demand deposits | 3,157 | 3,780 | 6,937 | 5,941 | 4,582 | 10,523 |
| Interest-bearing demand deposits | 123,336 | 33,975 | 157,311 | 131,858 | 32,297 | 164,155 |
| Savings deposits | 54,615 | 5 | 54,620 | 69,204 | 29 | 69,233 |
| Time deposits | 33,012 | 101,280 | 134,292 [1] | 18,187 | 121,977 | 140,164 [1] |
| **Total deposits** | **214,120** | **139,040** | **353,160** [2] | **225,190** | **158,885** | **384,075** [2] |
| of which due to banks | – | – | 21,460 | – | – | 26,506 |
| of which customer deposits | – | – | 331,700 | – | – | 357,569 |

The designation of deposits in Switzerland versus foreign deposits is based upon the location of the office where the deposit is recorded.

[1] Included CHF 133,988 million and CHF 140,057 million as of December 31, 2015 and 2014, respectively, of the Swiss franc equivalent of individual time deposits greater than USD 100,000 in Switzerland and foreign offices.

[2] Not included as of December 31, 2015 and 2014 were CHF 2 million and CHF 10 million, respectively, of overdrawn deposits reclassified as loans.

## 24 Long-term debt

| end of | 2015 | 2014 |
|---|---|---|
| **Long-term debt (CHF million)** | | |
| Senior | 153,372 | 135,196 |
| Subordinated | 23,896 | 24,299 |
| Non-recourse liabilities from consolidated VIEs | 14,826 | 13,452 |
| **Long-term debt** | **192,094** | **172,947** |
| of which reported at fair value | 80,002 | 80,260 |
| of which structured notes | 54,848 | 50,469 |

### Structured notes by product

| end of | 2015 | 2014 |
|---|---|---|
| **Structured notes (CHF million)** | | |
| Equity | 35,594 | 35,309 |
| Fixed income | 11,534 | 8,321 |
| Credit | 5,261 | 5,244 |
| Other | 2,459 | 1,595 |
| **Total structured notes** | **54,848** | **50,469** |

### Long-term debt by maturities

| end of | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| **Long-term debt (CHF million)** | | | | | | | |
| **Senior debt** | | | | | | | |
| Fixed rate | 4,233 | 11,874 | 10,779 | 13,813 | 8,648 | 27,318 | 76,665 |
| Variable rate | 17,428 | 15,496 | 9,668 | 7,009 | 6,163 | 20,943 | 76,707 |
| Interest rates (range in %) [1] | 0.0–15.5 | 0.0–15.2 | 0.1–14.8 | 0.1–14.1 | 0.1–4.4 | 0.0–9.3 | – |
| **Subordinated debt** | | | | | | | |
| Fixed rate | 0 | 171 | 10,489 | 0 | 3,422 | 9,519 | 23,601 |
| Variable rate | 0 | 50 | 0 | 187 | 58 | 0 | 295 |
| Interest rates (range in %) [1] | – | 1.1–7.0 | 4.9–13.3 | 0.5 | 0.9–7.0 | 5.70–8.2 | – |
| **Non-recourse liabilities from consolidated VIEs** | | | | | | | |
| Fixed rate | 85 | 998 | 0 | 0 | 3 | 563 | 1,649 |
| Variable rate | 73 | 61 | 0 | 2 | 884 | 12,157 | 13,177 |
| Interest rates (range in %) [1] | 0.0–5.4 | 2.8–4.0 | – | 0.0 | 0.0–4.1 | 0.0–10.5 | – |
| **Total long-term debt** | **21,819** | **28,650** | **30,936** | **21,011** | **19,178** | **70,500** | **192,094** |
| of which structured notes | 10,428 | 7,343 | 7,987 | 4,404 | 5,528 | 19,158 | 54,848 |

The maturity of perpetual debt is based on the earliest callable date. The maturity of all other debt is based on contractual maturity.

[1] Excludes structured notes for which fair value has been elected as the related coupons are dependent upon the embedded derivatives and prevailing market conditions at the time each coupon is paid.

▸ Refer to "Note 25 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 25 Accumulated other comprehensive income

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | **Accumulated other comprehensive income/ (loss)** |
|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(18)** | **(11,623)** | **56** | **(656)** | **17** | **(12,224)** |
| Increase/(decrease) | 0 | (1,133) | (5) | (30) | (1) | (1,169) |
| Decrease due to equity method investments | 0 | (1) | 0 | 0 | 0 | (1) |
| Reclassification adjustments, included in net income/(loss) | 24 | 6 | (1) | 74 | (13) | 90 |
| Total increase/(decrease) | 24 | (1,128) | (6) | 44 | (14) | (1,080) |
| **Balance at end of period** | **6** | **(12,751)** | **50** | **(612)** | **3** | **(13,304)** |
| **2014 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **9** | **(13,738)** | **35** | **(714)** | **3** | **(14,405)** |
| Increase/(decrease) | (11) | 2,115 | 21 | 14 | 20 | 2,159 |
| Reclassification adjustments, included in net income/(loss) | (16) | 0 | 0 | 44 | (6) | 22 |
| Total increase/(decrease) | (27) | 2,115 | 21 | 58 | 14 | 2,181 |
| Balance at end of period | **(18)** | **(11,623)** | **56** | **(656)** | **17** | **(12,224)** |
| **2013 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **7** | **(11,540)** | **53** | **(670)** | **3** | **(12,147)** |
| Increase/(decrease) | 6 | (2,281) | (13) | (102) | 0 | (2,390) |
| Reclassification adjustments, included in net income/(loss) | (4) | 83 | (5) | 58 | 0 | 132 |
| Total increase/(decrease) | 2 | (2,198) | (18) | (44) | 0 | (2,258) |
| **Balance at end of period** | **9** | **(13,738)** | **35** | **(714)** | **3** | **(14,405)** |

Refer to "Note 27 – Tax" and "Note 30 – Pension and other post-retirement benefits" for income tax expense/(benefit) on the movements of accumulated other comprehensive income/(loss).

### Details of significant reclassification adjustments

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Reclassification adjustments, included in net income/(loss) (CHF million)** | | | |
| **Cumulative translation adjustments** | | | |
| Sale of subsidiaries | **0** | **0** | **83** [1] |
| **Actuarial gains/(losses)** | | | |
| Amortization of recognized actuarial losses [2] | 98 | 62 | 92 |
| Tax expense/(benefit) | (24) | (18) | (34) |
| **Net of tax** | **74** | **44** | **58** |

[1] Includes net releases of CHF 84 million on the sale of JO Hambro, which was settled in the third quarter of 2013. These were reclassified from cumulative translation adjustments and included in net income in other revenues, offset by a gain on the transaction.

[2] These components are included in the computation of total benefit costs. Refer to "Note 30 – Pension and other post-retirement benefits" for further information.

## 26 Offsetting of financial assets and financial liabilities

▸ Refer to "Note 27 – Offsetting of financial assets and financial liabilities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Offsetting of derivatives

| end of | 2015 | | 2014 | |
|---|---|---|---|---|
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 15.7 | 14.5 | 257.8 | 250.1 |
| OTC | 152.9 | 146.3 | 213.6 | 210.3 |
| Exchange-traded | 0.0 | 0.0 | 0.1 | 0.0 |
| **Interest rate products** | **168.6** | **160.8** | **471.5** | **460.4** |
| OTC | 58.1 | 68.2 | 86.9 | 99.0 |
| Exchange-traded | 0.3 | 0.3 | 0.1 | 0.2 |
| **Foreign exchange products** | **58.4** | **68.5** | **87.0** | **99.2** |
| OTC | 12.0 | 13.5 | 14.8 | 15.3 |
| Exchange-traded | 8.9 | 11.2 | 12.4 | 14.0 |
| **Equity/index-related products** | **20.9** | **24.7** | **27.2** | **29.3** |
| OTC-cleared | 3.8 | 4.0 | 6.3 | 6.1 |
| OTC | 13.5 | 12.4 | 20.0 | 19.5 |
| **Credit derivatives** | **17.3** | **16.4** | **26.3** | **25.6** |
| OTC-cleared | 0.0 | 0.1 | 0.0 | 0.0 |
| OTC | 2.7 | 1.5 | 8.6 | 8.7 |
| Exchange-traded | 0.0 | 0.2 | 0.4 | 0.4 |
| **Other products** | **2.7** | **1.8** | **9.0** | **9.1** |
| OTC-cleared | 19.5 | 18.6 | 264.1 | 256.2 |
| OTC | 239.2 | 241.9 | 343.9 | 352.8 |
| Exchange-traded | 9.2 | 11.7 | 13.0 | 14.6 |
| **Total gross derivatives subject to enforceable master netting agreements** | **267.9** | **272.2** | **621.0** | **623.6** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (19.0) | (18.6) | (261.7) | (255.8) |
| OTC | (217.1) | (226.7) | (316.7) | (326.4) |
| Exchange-traded | (9.0) | (9.8) | (11.9) | (13.1) |
| **Offsetting** | **(245.1)** | **(255.1)** | **(590.3)** | **(595.3)** |
| of which counterparty netting | (223.0) | (223.0) | (561.6) | (561.6) |
| of which cash collateral netting | (22.1) | (32.1) | (28.7) | (33.7) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 0.5 | 0.0 | 2.4 | 0.4 |
| OTC | 22.1 | 15.2 | 27.2 | 26.4 |
| Exchange-traded | 0.2 | 1.9 | 1.1 | 1.5 |
| **Total net derivatives subject to enforceable master netting agreements** | **22.8** | **17.1** | **30.7** | **28.3** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **6.0** | **6.5** | **8.8** | **9.1** |
| **Total net derivatives presented in the consolidated balance sheets** | **28.8** | **23.6** | **39.5** | **37.4** |
| of which recorded in trading assets and trading liabilities | 28.6 | 23.5 | 38.0 | 36.9 |
| of which recorded in other assets and other liabilities | 0.2 | 0.1 | 1.5 | 0.5 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

## Offsetting of securities purchased under resale agreements and securities borrowing transactions

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 92.4 | (19.6) | 72.8 | 119.3 | (28.0) | 91.3 |
| Securities borrowing transactions | 21.4 | (3.9) | 17.5 | 27.8 | (6.9) | 20.9 |
| **Total subject to enforceable master netting agreements** | **113.8** | **(23.5)** | **90.3** | **147.1** | **(34.9)** | **112.2** |
| **Total not subject to enforceable master netting agreements** [1] | **33.1** | **–** | **33.1** | **51.0** | **–** | **51.0** |
| **Total** | **146.9** | **(23.5)** | **123.4** [2] | **198.1** | **(34.9)** | **163.2** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 83,565 million and CHF 104,283 million of the total net amount as of December 31, 2015 and December 31, 2014, respectively, are reported at fair value.

## Offsetting of securities sold under repurchase agreements and securities lending transactions

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 43.2 | (21.4) | 21.8 | 69.9 | (31.9) | 38.0 |
| Securities lending transactions | 9.8 | (2.1) | 7.7 | 10.8 | (3.0) | 7.8 |
| Obligation to return securities received as collateral, at fair value | 19.4 | 0.0 | 19.4 | 18.8 | 0.0 | 18.8 |
| **Total subject to enforceable master netting agreements** | **72.4** | **(23.5)** | **48.9** | **99.5** | **(34.9)** | **64.6** |
| **Total not subject to enforceable master netting agreements** [1] | **26.2** | **–** | **26.2** | **32.4** | **–** | **32.4** |
| **Total** | **98.6** | **(23.5)** | **75.1** | **131.9** | **(34.9)** | **97.0** |
| of which securities sold under repurchase agreements and securities lending transactions | 70.1 | (23.5) | 46.6 [2] | 105.0 | (34.9) | 70.1 [2] |
| of which obligation to return securities received as collateral, at fair value | 28.5 | 0.0 | 28.5 | 26.9 | 0.0 | 26.9 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 32,398 million and CHF 54,732 million of the total net amount as of December 31, 2015 and December 31, 2014, respectively, are reported at fair value.

## Amounts not offset in the consolidated balance sheets

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 22.8 | 6.2 | 0.8 | 15.8 | 30.7 | 6.5 | 0.1 | 24.1 |
| Securities purchased under resale agreements | 72.8 | 72.8 | 0.0 | 0.0 | 91.3 | 91.3 | 0.0 | 0.0 |
| Securities borrowing transactions | 17.5 | 17.1 | 0.0 | 0.4 | 20.9 | 20.3 | 0.0 | 0.6 |
| **Total financial assets subject to enforceable master netting agreements** | **113.1** | **96.1** | **0.8** | **16.2** | **142.9** | **118.1** | **0.1** | **24.7** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 17.1 | 3.4 | 0.0 | 13.7 | 28.3 | 8.5 | 0.0 | 19.8 |
| Securities sold under repurchase agreements | 21.8 | 21.8 | 0.0 | 0.0 | 38.0 | 38.0 | 0.0 | 0.0 |
| Securities lending transactions | 7.7 | 7.4 | 0.0 | 0.3 | 7.8 | 7.6 | 0.0 | 0.2 |
| Obligation to return securities received as collateral, at fair value | 19.4 | 18.5 | 0.0 | 0.9 | 18.8 | 18.1 | 0.0 | 0.7 |
| **Total financial liabilities subject to enforceable master netting agreements** | **66.0** | **51.1** | **0.0** | **14.9** | **92.9** | **72.2** | **0.0** | **20.7** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

## 27 Tax

### Details of current and deferred taxes

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Current and deferred taxes (CHF million)** | | | |
| Switzerland | (25) | 56 | (52) |
| Foreign | 462 | 624 | 564 |
| **Current income tax expense** | **437** | **680** | **512** |
| Switzerland | 166 | (384) | (15) |
| Foreign | (164) | 1,003 | 673 |
| **Deferred income tax expense** | **2** | **619** | **658** |
| **Income tax expense** | **439** | **1,299** | **1,170** |
| Income tax expense on discontinued operations | 0 | 40 | 75 |
| Income tax expense/(benefit) reported in shareholder's equity related to: | | | |
| Gains/(losses) on cash flow hedges | (4) | 4 | 1 |
| Cumulative translation adjustment | (14) | (117) | 44 |
| Unrealized gains/(losses) on securities | (3) | 7 | (8) |
| Actuarial gains/(losses) | 14 | (27) | 99 |
| Net prior service cost | (9) | 9 | 0 |
| Share-based compensation and treasury shares | 28 | 68 | 1 |

### Reconciliation of taxes computed at the Swiss statutory rate

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Switzerland | 1,315 | (179) | 300 |
| Foreign | (4,253) | 3,140 | 3,354 |
| **Income/(loss) from continuing operations before taxes** | **(2,938)** | **2,961** | **3,654** |
| **Reconciliation of taxes computed at the Swiss statutory rate (CHF million)** | | | |
| Income tax expense/(benefit) computed at the statutory tax rate of 22% | (646) | 651 | 804 |
| Increase/(decrease) in income taxes resulting from | | | |
| Foreign tax rate differential | (731) | 347 | 248 |
| Non-deductible amortization of other intangible assets and goodwill impairment | 1,432 | 6 | 25 |
| Other non-deductible expenses | 389 | 666 | 493 |
| Additional taxable income | 15 | 2 | (5) |
| Lower taxed income | (272) | (265) | (374) |
| (Income)/loss taxable to noncontrolling interests | 7 | (173) | (297) |
| Changes in tax law and rates | 347 | 151 | 184 |
| Changes in deferred tax valuation allowance | (108) | 1,071 | 381 |
| Change in recognition of outside basis difference | 262 | (450) | 0 |
| Tax deductible impairments of Swiss subsidiary investments | (258) | (555) | (268) |
| Other | 2 | (152) | (21) |
| **Income tax expense** | **439** | **1,299** | **1,170** |

**2015**

**Foreign tax rate differential** of CHF 731 million reflected a foreign tax benefit mainly driven by losses made in higher tax jurisdictions, such as Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The foreign tax rate benefit in relation to total foreign tax expense of CHF 298 million was more than offset by tax impacts related to additional reconciling items as explained below.

**Non-deductible amortization of other intangible assets and goodwill impairment** of CHF 1,432 million reflected the non-deductible nature of the goodwill impairment.

**Other non-deductible expenses** of CHF 389 million included the impact of CHF 219 million relating to non-deductible

interest expenses, CHF 69 million related to non-deductible bank levy costs and other non-deductible compensation expenses and management costs, CHF 50 million related to the non-deductible portion of the litigation provisions and settlement charges, and other various smaller non-deductible expenses of CHF 51 million.

**Lower taxed income** of CHF 272 million included a tax benefit of CHF 59 million related to non-taxable dividend income, CHF 58 million related to non-taxable life insurance income, CHF 50 million related to exempt income, CHF 49 million related to non-taxable foreign exchange gains, CHF 16 million in respect of income taxed at rates lower than the statutory tax rate, and various smaller items.

**Changes in tax law and rates** of CHF 347 million reflected a tax expense of CHF 189 million related to the change in New York City tax law, CHF 175 million caused by the reduction of deferred tax assets from the enactment of UK corporation tax rate changes and introduction of the bank corporation tax surcharge, and CHF 10 million related to changes in other countries, partially offset by a tax benefit of CHF 16 million from a change in the Brazil tax rate and CHF 11 million related to a change in New York state tax law.

**Changes in deferred tax valuation allowances** of CHF 108 million included the net impact of the release of valuation allowances of CHF 109 million, mainly in respect of two of the Bank's operating entities, one in the UK and one in Hong Kong, relating to current year earnings. Additionally, 2015 included a release of valuation allowances of CHF 88 million for previously recognized deferred tax assets in respect of one of the Bank's operating entities in Hong Kong. The change in UK corporation tax rates and introduction of the bank corporation tax surcharge in 2015 caused a release of valuation allowances of CHF 162 million in respect of four of the Bank's operating entities in the UK. Also included was a tax expense of CHF 251 million resulting from the increase in valuation allowances on deferred tax assets mainly from three of the Bank's operating entities, two in the UK and one in Switzerland.

**Change in recognition of outside basis difference** of CHF 262 million reflected a tax expense related to the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

**Other** of CHF 2 million included a tax expense of CHF 48 million relating to the increase of tax contingency accruals, a tax expense of CHF 28 million from prior year adjustments and various smaller items, partially offset by a tax benefit of CHF 109 million relating to the re-assessment of deferred tax balances in Switzerland reflecting changes in forecasted future profitability.

**2014**

**Foreign tax rate differential** of CHF 347 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,627 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items as explained below.

**Other non-deductible expenses** of CHF 666 million included the impact of CHF 390 million relating to the non-deductible portion of the litigation provisions and settlement charges, non-deductible interest expenses of CHF 179 million, non-deductible bank levy costs and other non-deductible compensation expenses and management costs of CHF 59 million, and other various smaller non-deductible expenses of CHF 38 million.

**Lower taxed income** of CHF 265 million included a net tax benefit of CHF 84 million related to non-taxable dividend income, CHF 56 million related to non-taxable life insurance income, CHF 35 million in respect of income taxed at rates lower than the statutory tax rate, CHF 34 million related to exempt offshore income and various smaller items.

**Changes in tax law and rates** of CHF 151 million reflected a tax expense related to the change in New York state tax law.

**Changes in deferred tax valuation allowances** of CHF 1,071 million included the net impact of the increase of valuation allowances of CHF 434 million, mainly in respect of six of the Bank's operating entities, three in the UK and one in each of Germany, Italy and Switzerland, relating to current year's earnings. Additionally, 2014 included an increase in valuation allowance for previously recognized deferred tax assets in respect of two of the Bank's operating entities in the UK of CHF 662 million. Also included was a tax benefit of CHF 25 million resulting from the release of valuation allowances on deferred tax assets from one of the Bank's operating entities in Spain.

**Change in recognition of outside basis difference** of CHF 450 million reflected a tax benefit related to the enactment of a Swiss GAAP change impacting the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

**Other** of CHF 152 million included a tax benefit of CHF 189 million following audit closures and tax settlements, together with a benefit of CHF 4 million relating to the decrease of tax contingency accruals, partially offset by CHF 33 million return to accrual adjustments and a tax expense of CHF 26 million relating to non-recoverable foreign and withholding taxes. The remaining balance included various smaller items.

**2013**

**Foreign tax rate differential** of CHF 248 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,237 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items explained below.

**Other non-deductible expenses** of CHF 493 million included non-deductible interest expenses of CHF 247 million, non-taxable offshore expenses of CHF 9 million, non-deductible bank levy costs and other non-deductible compensation expenses and management costs of CHF 93 million, non-deductible provision accruals of CHF 103 million and other various smaller non-deductible expenses.

**Lower taxed income** of CHF 374 million included a net tax benefit of CHF 49 million resulting from the reversal of a deferred tax liability previously recorded to cover for a taxable timing difference related to a re-investment relief. In addition, 2013 included a Swiss income tax benefit of CHF 41 million as a result of foreign branch earnings beneficially impacting the earnings mix, a tax benefit of CHF 61 million related to non-taxable life insurance income, CHF 56 million related to exempt offshore income, CHF 45 million in respect of non-taxable dividend income, CHF 18 million related to non-taxable foreign exchange gains, CHF 67 million related to tax credits and CHF 19 million related to permanent tax benefits from tax deductible goodwill amortization. The remaining balance included various smaller items.

**Changes in tax law and rates** of CHF 184 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

**Changes in deferred tax valuation allowances** of CHF 381 million included the impact of the increase of valuation allowances of CHF 246 million mainly in respect of four of the Bank's operating entities, three in Europe and one in Asia, relating to current year earnings. Additionally, 2013 included an increase in valuation allowance for previously recognized deferred tax assets in respect of one of the Bank's operating entities in the UK of CHF 278 million. Also included was a tax benefit of CHF 143 million resulting from the release of valuation allowances on deferred tax assets mainly for two of the Bank's operating entities, one in Japan and one in the UK.

**Other** of CHF 21 million included a tax benefit of CHF 57 million relating to the current year's earnings mix and the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to deferred tax assets and a CHF 36 million income tax benefit following a change in the tax status of one of the Bank's US entities, partially offset by a tax expense of CHF 41 million relating to the increase of tax contingency accruals and a tax expense of CHF 41 million relating to non-recoverable foreign taxes. The remaining balance included various smaller items.

As of December 31, 2015, the Bank had accumulated undistributed earnings from foreign subsidiaries of CHF 4.0 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

## Deferred tax assets and liabilities

| end of | 2015 | 2014 |
|---|---|---|
| **Deferred tax assets and liabilities (CHF million)** | | |
| Compensation and benefits | 2,316 | 2,361 |
| Loans | 326 | 231 |
| Investment securities | 547 | 882 |
| Provisions | 1,718 | 1,658 |
| Derivatives | 117 | 119 |
| Real estate | 340 | 277 |
| Net operating loss carry-forwards | 5,831 | 6,232 |
| Other | 113 | 95 |
| **Gross deferred tax assets before valuation allowance** | **11,308** | **11,855** |
| Less valuation allowance | (3,898) | (4,107) |
| **Gross deferred tax assets net of valuation allowance** | **7,410** | **7,748** |
| Compensation and benefits | (211) | (164) |
| Loans | (31) | (40) |
| Investment securities | (273) | (611) |
| Provisions | (449) | (447) |
| Business combinations | (1) | (1) |
| Derivatives | (187) | (168) |
| Leasing | (18) | (23) |
| Real estate | (66) | (62) |
| Other | (147) | (201) |
| **Gross deferred tax liabilities** | **(1,383)** | **(1,717)** |
| **Net deferred tax assets** | **6,027** | **6,031** |
| of which deferred tax assets | 6,068 | 6,064 |
| of which net operating losses | 1,753 | 1,816 |
| of which deductible temporary differences | 4,315 | 4,248 |
| of which deferred tax liabilities | (41) | (33) |

The decrease in net deferred tax assets from 2014 to 2015 of CHF 4 million was primarily driven by a decrease of deferred tax assets of CHF 217 million as a result of changes to the corporation tax rates in New York, the UK and Japan, prior year adjustments of CHF 127 million, and foreign exchange translation losses of CHF 94 million, which are included within the currency translation adjustments recorded in accumulated other comprehensive income/(loss) (AOCI). These decreases were partially offset by the impact of CHF 207 million related to current year earnings, CHF 162 million from the re-measurement of deferred tax balances in Switzerland and Brazil and the release of valuation allowances in Hong Kong, and the tax impacts directly recorded in equity, mainly related to the net impact of share-based compensation, pension plan re-measurement and other tax recorded directly in equity of CHF 65 million.

Due to uncertainty concerning its ability to generate the necessary amount and mix of taxable income in future periods, the Bank recorded a valuation allowance against deferred tax assets in the amount of CHF 3.9 billion as of December 31, 2015 compared to CHF 4.1 billion as of December 31, 2014.

### Amounts and expiration dates of net operating loss carry-forwards

| end of 2015 | Total |
|---|---|
| **Net operating loss carry-forwards (CHF million)** | |
| Due to expire within 1 year | 5,304 |
| Due to expire within 2 to 5 years | 7,662 |
| Due to expire within 6 to 10 years | 7,055 |
| Due to expire within 11 to 20 years | 2,981 |
| **Amount due to expire** | **23,002** |
| Amount not due to expire | 15,694 |
| **Total net operating loss carry-forwards** | **38,696** |

### Movements in the valuation allowance

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Movements in the valuation allowance (CHF million)** | | | |
| **Balance at beginning of period** | **4,107** | **2,704** | **2,550** |
| Net changes | (209) | 1,403 | 154 |
| **Balance at end of period** | **3,898** | **4,107** | **2,704** |

### Tax benefits associated with share-based compensation

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Tax benefits associated with share-based compensation (CHF million)** | | | |
| Tax benefits recorded in the consolidated statements of operations [1] | 447 | 506 | 481 |
| Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital | (28) | (69) | (24) |
| Tax benefits in respect of tax on dividend equivalent payments | 0 | 1 | 22 |

[1] Calculated at the statutory tax rate before valuation allowance considerations.

▸ Refer to "Note 28 – Employee deferred compensation" for further information on share-based compensation.

Windfall deductions and dividend equivalents aggregating CHF 1.1 billion and CHF 1.1 billion for 2015 and 2014, respectively, did not result in a reduction of income taxes payable because certain entities were in a net operating loss position. When the income tax benefit of these deductions is realized, an estimated CHF 239 million tax benefit will be recorded in additional paid-in capital.

## Uncertain tax positions

### Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Movements in gross unrecognized tax benefits (CHF million)** | | | |
| **Balance at beginning of period** | **382** | **416** | **416** |
| Increases in unrecognized tax benefits as a result of tax positions taken during a prior period | 44 | 2 | 4 |
| Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period | (3) | (47) | (8) |
| Increases in unrecognized tax benefits as a result of tax positions taken during the current period | 15 | 37 | 43 |
| Decreases in unrecognized tax benefits relating to settlements with tax authorities | 0 | (10) | 0 |
| Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations | (22) | (24) | (5) |
| Other (including foreign currency translation) | (56) | 8 | (34) |
| **Balance at end of period** | **360** | **382** | **416** |
| of which, if recognized, would affect the effective tax rate | 360 | 382 | 410 |

### Interest and penalties

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Interest and penalties (CHF million)** | | | |
| Interest and penalties recognized in the consolidated statements of operations | 13 | 21 | 6 |
| Interest and penalties recognized in the consolidated balance sheets | 85 | 85 | 64 |

Interest and penalties are reported as tax expense. The Bank is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date.

It is reasonably possible that there will be a decrease of between zero and CHF 41 million in unrecognized tax benefits within 12 months of the reporting date.

The Bank remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Japan – 2012; Switzerland – 2011; Brazil – 2010; the UK – 2009; the US – 2006; and the Netherlands – 2005.

▸ Refer to "Note 28 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 28 Employee deferred compensation

### Deferred compensation for employees

▸ Refer to "Note 29 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for further information.

The following tables show the compensation expense for deferred compensation awards granted in 2015 and prior years that was recognized in the consolidated statements of operations during 2015, 2014 and 2013, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2015 and prior years outstanding as of December 31, 2015 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized. The recognition of compensation expenses for the deferred compensation awards granted in January 2016 began in 2016 and thus had no impact on the 2015 consolidated financial statements.

### Deferred compensation expense

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | |
| Share awards | 849 | 935 | 806 |
| Performance share awards | 562 | 610 | 580 |
| Contingent Capital Awards | 429 | 213 | – |
| Capital Opportunity Facility awards | 16 | 13 | – |
| Plus Bond awards [1] | 22 | 36 | 37 |
| 2011 Partner Asset Facility awards [2] | 2 | 7 | 77 |
| Adjustable Performance Plan share awards [3] | 0 | 0 | 30 |
| Adjustable Performance Plan cash awards [3] | 0 | 0 | 4 |
| Restricted Cash Awards | 39 | 92 | 145 |
| Scaled Incentive Share Units [3] | 0 | (3) | 38 |
| Incentive Share Units [4] | 0 | 0 | (3) |
| 2008 Partner Asset Facility awards [5] | 34 | 87 | 93 |
| Other cash awards | 398 | 394 | 430 |
| Discontinued operations | 0 | (8) | (21) |
| **Total deferred compensation expense** | **2,351** | **2,376** | **2,216** |
| **Total shares delivered (million)** | | | |
| Total shares delivered | 43.8 | 36.5 | 32.6 |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in the first quarter of 2013 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in the underlying fair value of the indexed assets prior to the CCA conversion.
[3] Including forfeitures and downward adjustments according to the plan terms and conditions.
[4] Includes forfeitures.
[5] Compensation expense mainly includes the change in the underlying fair value of the indexed assets during the period.

### Estimated unrecognized deferred compensation

| end of | 2015 |
|---|---|
| **Estimated unrecognized compensation expense (CHF million)** | |
| Share awards | 569 |
| Performance share awards | 164 |
| Contingent Capital Awards | 230 |
| Other cash awards | 155 |
| **Total** | **1,118** |
| **Aggregate remaining weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.2 |

Does not include the estimated unrecognized compensation expense relating to grants made in 2016 for 2015.

### Share awards

On January 19, 2016, the Bank granted 28.7 million share awards with a total value of CHF 547 million. The estimated unrecognized compensation expense of CHF 518 million was determined based on the ○ fair value of the award on the grant date, includes the current estimate of future forfeitures and will be recognized over the three-year vesting period, subject to early retirement rules.

### Share awards granted in January for previous years

| For compensation year | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Share awards granted in January** | | | |
| Shares awarded (million) | 28.7 | 36.9 | 30.1 |
| Value of shares awarded (CHF million) | 547 | 636 | 824 |

On January 19, 2016, the Bank granted 0.6 million blocked shares with a total value of CHF 12 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2015.

### Blocked share awards granted in January for previous years

| For compensation year | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Blocked share awards granted in January** | | | |
| Shares awarded (million) | 0.6 | 1.5 | 0.5 |
| Value of shares awarded (CHF million) | 12 | 35 | 15 |

## Share award activities

| | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | Number of share awards in million | Weighted-average grant-date fair value in CHF | Number of share awards in million | Weighted-average grant-date fair value in CHF | Number of share awards in million | Weighted-average grant-date fair value in CHF |
| **Share awards** | | | | | | |
| **Balance at beginning of period** | **76.5** | **28.63** | **72.2** | **30.07** | **55.1** | **34.27** |
| Granted | 46.1 [1] | 16.49 | 37.3 | 27.60 | 40.0 | 26.43 |
| Settled | (39.8) | 29.02 | (29.1) | 30.41 | (19.6) | 34.12 |
| Forfeited | (3.9) | 24.03 | (3.9) | 32.24 | (3.3) | 32.04 |
| **Balance at end of period** | **78.9** | **21.56** | **76.5** | **28.63** | **72.2** | **30.07** |
| of which vested | 4.7 | – | 6.1 | – | 5.8 | – |
| of which unvested | 74.2 | – | 70.4 | – | 66.4 | – |

[1] Includes an adjustment for share awards granted in the fourth quarter of 2015 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on November 19, 2015. The number of deferred share-based awards held by each individual was increased by 2.89%. The terms and conditions of the adjusted shares were the same as the existing share-based awards thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional shares granted.

## Performance share awards

On January 19, 2016, the Bank granted 21.2 million performance share awards with a total value of CHF 427 million. The estimated unrecognized compensation expense of CHF 384 million was determined based on the fair value of the award at the grant date, includes the current estimated outcome of the relevant performance criteria and estimated future forfeitures and will be recognized over the three-year vesting period.

## Performance share awards granted in January for previous years

| For compensation year | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Performance share awards granted in January** | | | |
| Shares awarded (million) | 21.2 | 30.3 | 23.9 |
| Value of shares awarded (CHF million) | 427 | 523 | 654 |

## Performance share award activities

| | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | Number of performance share awards in million | Weighted-average grant-date fair value in CHF | Number of performance share awards in million | Weighted-average grant-date fair value in CHF | Number of performance share awards in million | Weighted-average grant-date fair value in CHF |
| **Performance share awards** | | | | | | |
| **Balance at beginning of period** | **47.5** | **26.89** | **40.7** | **25.51** | **22.9** | **23.90** |
| Granted | 32.1 [1] | 16.11 | 24.0 | 28.13 | 26.2 | 26.44 |
| Settled | (23.0) | 26.25 | (15.8) | 25.27 | (7.5) | 23.90 |
| Forfeited | (1.3) | 21.78 | (1.4) | 26.28 | (0.9) | 24.92 |
| **Balance at end of period** | **55.3** | **21.01** | **47.5** | **26.89** | **40.7** | **25.51** |
| of which vested | 3.3 | – | 3.2 | | 2.7 | – |
| of which unvested | 52.0 | – | 44.3 | | 38.0 | – |

[1] Includes an adjustment for performance share awards granted in the fourth quarter of 2015 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on November 19, 2015. The number of deferred share-based awards held by each individual was increased by 2.89%. The terms and conditions of the adjusted performance shares were the same as the existing share-based awards thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional performance shares granted.

### Contingent Capital Awards

On January 19, 2016, the Bank awarded CHF 217 million of Contingent Capital Awards (CCA) that will be expensed over the three-year period from the grant date. The estimated unrecognized compensation expense of CHF 249 million was determined based on the fair value of the award on the grant date, includes the current estimated outcome of the relevant performance criteria, estimated future forfeitures and the expected semi-annual cash payments of interest and will be recognized over the three-year vesting period.

### CCA granted in January for previous years

| For compensation year | **2015** | 2014 | 2013 |
|---|---|---|---|
| **CCA granted in January** | | | |
| CCA awarded (CHF million) | 217 | 355 | 391 |

### Adjustable Performance Plan awards

### Adjustable Performance Plan share award activities

| | | Number of APP share awards in million | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **Adjustable Performance Plan share awards** | | | |
| **Balance at beginning of period** | **7.1** | **14.0** | **29.7** |
| Granted [1] | 0.3 | 0.8 | 1.1 |
| Settled | (7.4) | (7.3) | (16.5) |
| Forfeited | 0.0 | (0.4) | (0.3) |
| **Balance at end of period** | **0.0** | **7.1** | **14.0** |
| of which vested | 0.0 | 1.1 | 1.2 |
| of which unvested | 0.0 | 6.0 | 12.8 |

[1] Represents additional units earned in the first quarter of 2015, 2014 and 2013 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

### Incentive Share Unit

### Incentive Share Unit activities

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| **ISU awards (million)** | | | |
| **Balance at beginning of period** | **0.6** | **1.2** | **3.6** |
| Settled | (0.2) | (0.1) | (1.8) |
| Forfeited | (0.2) | (0.5) | (0.6) |
| **Balance at end of period** | **0.2** | **0.6** | **1.2** |
| of which vested | 0.1 | 0.1 | 0.1 |
| of which unvested | 0.1 | 0.5 | 1.1 |

## 29 Related parties

The Group owns all of the Bank's outstanding voting registered shares. The Bank is involved in significant financing and other transactions with subsidiaries and affiliates of the Group. The Bank generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated third parties.

▸ Refer to "Note 30 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Related party assets and liabilities

| end of | 2015 | 2014 |
|---|---|---|
| **Assets (CHF million)** | | |
| Cash and due from banks | 1,345 | 2 |
| Interest-bearing deposits with banks | 4,091 | 2,862 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 387 | 0 |
| Trading assets | 143 | 220 |
| Net loans | 5,154 | 6,453 |
| Other assets | 89 | 27 |
| **Total assets** | **11,209** | **9,564** |
| **Liabilities (CHF million)** | | |
| Due to banks/customer deposits | 1,838 | 1,916 |
| Trading liabilities | 87 | 15 |
| Long-term debt | 4,092 | 4,042 |
| Other liabilities | 232 | 224 |
| **Total liabilities** | **6,249** | **6,197** |

### Related party revenues and expenses

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Revenues (CHF million)** | | | |
| Interest and dividend income | 5 | 70 | 45 |
| Interest expense | (269) | (223) | (55) |
| **Net interest income** | **(264)** | **(153)** | **(10)** |
| Commissions and fees | 4 | (11) | (21) |
| Other revenues | 169 | 178 | 172 |
| **Net revenues** | **(91)** | **14** | **141** |
| **Expenses (CHF million)** | | | |
| **Total operating expenses** | **193** | **165** | **288** |

### Related party guarantees

| end of | 2015 | 2014 |
|---|---|---|
| **Guarantees (CHF million)** | | |
| Credit guarantees and similar instruments | 0 | 1 |
| Performance guarantees and similar instruments | 0 | 1 |
| Other guarantees | 65 | 0 |
| **Total guarantees** | **65** | **2** |

### Executive Board and Board of Directors loans

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Loans to members of the Executive Board (CHF million)** | | | |
| **Balance at beginning of period** | **5** [1] | **10** | **8** |
| Additions | 21 | 3 | 4 |
| Reductions | 0 | (8) | (2) |
| **Balance at end of period** | **26** [1] | **5** | **10** |
| **Loans to members of the Board of Directors (CHF million)** | | | |
| **Balance at beginning of period** | **16** [2] | **55** | **41** |
| Additions | 1 | 6 | 16 |
| Reductions | (9) | (45) | (2) |
| **Balance at end of period** | **8** [2] | **16** | **55** |

[1] The number of individuals with outstanding loans at the beginning and the end of the year was two and six, respectively.

[2] The number of individuals with outstanding loans at the beginning and the end of the year was three.

### Liabilities due to own pension funds

Liabilities due to the Bank's own defined benefit pension funds as of December 31, 2015 and 2014 of CHF 1,580 million and CHF 3,131 million, respectively, were reflected in various liability accounts in the Bank's consolidated balance sheets.

## 30 Pension and other post-retirement benefits

The Bank participates in a defined benefit pension plan sponsored by the Group and has defined contribution pension plans, single-employer defined benefit pension plans and other post-retirement defined benefit plans. The Bank's principal plans are located in Switzerland, the US and the UK.

### DEFINED CONTRIBUTION PENSION PLANS

The Bank contributes to various defined contribution pension plans primarily in the US and the UK as well as other countries throughout the world. During 2015, 2014 and 2013, the Bank contributed to these plans and recognized as expense CHF 156 million, CHF 181 million and CHF 178 million, respectively.

▸ Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on defined contribution pension plans.

### DEFINED BENEFIT PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

#### Defined benefit pension plans

▸ Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on defined benefit pension plans.

#### Group pension plan

The Bank covers pension requirements for its employees in Switzerland by participating in a defined benefit pension plan sponsored by the Group (Group plan), the Group's most significant defined benefit pension plan. The plan provides benefits in the event of retirement, death and disability. Various legal entities within the Group participate in the plan, which is set up as an independent trust domiciled in Zurich. Historically, this plan provided traditional defined benefit pensions under the annuity section. In 2010, a new savings section was introduced and as of January 1, 2013, all active employees were transferred to the savings section and the annuity section has ceased accruing new benefits. In the savings section, the benefits are determined on the basis of the accumulated employer and employee contributions and accumulated interest credited. In accordance with US GAAP, the Group accounts for the Group plan as a single-employer defined benefit pension plan and uses the projected unit credit actuarial method to determine the net periodic benefit costs, the PBO and the accumulated benefit obligation (ABO). The Bank accounts for the defined benefit pension plan sponsored by the Group as a multi-employer pension plan because other legal entities within the Group also participate in the plan and the assets contributed by the Bank are not segregated into a separate account or restricted to provide benefits only to employees of the Bank. The assets contributed by the Bank are commingled with the assets contributed by the other legal entities of the Group and can be used to provide benefits to any employee of any participating legal entity. The Bank's contributions to the Group plan comprise 95% of the total assets contributed to the Group plan by all participating legal entities on an annual basis.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expenses or balance sheet amounts related to the Group plan were recognized by the Bank. In the savings section of the plan, the Bank's contribution varies between 7.5% and 25% of the pensionable salary depending on the employees' age.

During 2015, 2014 and 2013, the Bank contributed and recognized as expense CHF 389 million, CHF 415 million and CHF 390 million to the Group plan, respectively. The Bank expects to contribute CHF 356 million to the Group plan during 2016. If the Bank had accounted for the Group plan as a single-employer defined benefit plan, the net periodic pension expense recognized by the Bank during 2015, 2014 and 2013 would have been lower by CHF 206 million, CHF 277 million and CHF 131 million, respectively, and the Bank would have recognized CHF 252 million, CHF 48 million and CHF 158 million, respectively, as amortization of actuarial losses and prior service cost for the Group plan.

As of December 31, 2015 and 2014, the ABO of the Group plan was CHF 15.2 billion and CHF 15.1 billion, the PBO was CHF 16.1 billion and CHF 15.7 billion and the fair value of plan assets was CHF 15.6 billion and CHF 15.6 billion, respectively. As of December 31, 2015 and 2014, the Group plan was overfunded on an ABO basis by CHF 442 million and CHF 525 million, respectively. On a PBO basis, the Group plan was underfunded by CHF 486 million and underfunded by CHF 26 million as of December 31, 2015 and 2014, respectively. If the Bank had accounted for the Group plan as a defined benefit pension plan, the Bank would have had to recognize the underfunding of the Group plan on a PBO basis of CHF 462 million as a liability as of December 31, 2015 and the underfunding of CHF 25 million as a liability as of December 31, 2014 in the consolidated balance sheets.

If the Bank had accounted for the Group plan as a defined benefit plan, the Bank would have used the assumptions made by the Group for the calculation of the expense and liability associated with the Group plan.

▸ Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for information on assumptions made by the Group for Switzerland.

### International pension plans

Various defined benefit pension plans cover the Bank's employees outside Switzerland. These plans provide benefits in the event of retirement, death, disability or termination of employment. Retirement benefits under the plans depend on age, contributions and salary. The Bank's principal defined benefit pension plans outside Switzerland are located in the US and in the UK. Both plans are funded, closed to new participants and have ceased accruing new benefits. Smaller defined benefit pension plans, both funded and unfunded, are operated in other locations.

### Other post-retirement defined benefit plans

In the US, the Bank's defined benefit plans provide post-retirement benefits other than pension benefits that primarily focus on health and welfare benefits for certain retired employees. In exchange for the current services provided by the employee, the Bank promises to provide health and welfare benefits after the employee retires. The Bank's obligation for that compensation is incurred as employees render the services necessary to earn their post-retirement benefits.

### Benefit costs of defined benefit plans

The net periodic benefit costs for defined benefit pension and other post-retirement defined benefit plans are the costs of the respective plan for a period during which an employee renders services. The actual amount to be recognized is determined using the standard actuarial methodology which considers, among other factors, current service cost, interest cost, expected return on plan assets and the amortization of both prior service cost/(credit) and actuarial losses/(gains) recognized in AOCI.

### Components of total benefit costs

| | International single-employer defined benefit pension plans | | | Other post-retirement defined benefit plans | | |
|---|---|---|---|---|---|---|
| in | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 |
| **Total benefit costs (CHF million)** | | | | | | |
| Service costs on benefit obligation | 21 | 19 | 24 | 0 | 0 | 0 |
| Interest costs on benefit obligation | 129 | 134 | 122 | 7 | 7 | 8 |
| Expected return on plan assets | (195) | (178) | (161) | 0 | 0 | 0 |
| Amortization of recognized prior service cost/(credit) | 0 | 0 | 0 | (23) | (9) | 0 |
| Amortization of recognized actuarial losses/(gains) | 84 | 52 | 79 | 14 | 9 | 13 |
| **Net periodic benefit costs/(credits)** | **39** | **27** | **64** | **(2)** | **7** | **21** |
| Settlement losses/(gains) | (1) | (2) | 0 | 0 | 0 | 0 |
| **Total benefit costs/(credits)** | **38** | **25** | **64** | **(2)** | **7** | **21** |

Total benefit costs reflected in compensation and benefits – other for 2015, 2014 and 2013 were CHF 36 million, CHF 32 million and CHF 85 million, respectively.

### Benefit obligation

The following table shows the changes in the PBO, the fair value of plan assets and the amounts recognized in the consolidated balance sheets for the international single-employer defined benefit pension plans and other post-retirement defined benefit plans as well as the ABO for the defined benefit pension plans.

## Obligations and funded status of the plans

| | International single-employer defined benefit pension plans | | Other post-retirement defined benefit plans | |
|---|---|---|---|---|
| in / end of | **2015** | 2014 | **2015** | 2014 |
| **PBO (CHF million) [1]** | | | | |
| **Beginning of the measurement period** | **3,539** | **2,843** | **178** | **168** |
| Service cost | 21 | 19 | 0 | 0 |
| Interest cost | 129 | 134 | 7 | 7 |
| Plan amendments | 0 | 0 | 0 | (32) |
| Settlements | 0 | (4) | 0 | 0 |
| Special termination benefits | 2 | 1 | 0 | 0 |
| Actuarial losses/(gains) | (97) | 463 | 4 | 25 |
| Benefit payments | (113) | (109) | (10) | (8) |
| Exchange rate losses/(gains) | (115) | 192 | 1 | 18 |
| **End of the measurement period** | **3,366** | **3,539** | **180** | **178** |
| **Fair value of plan assets (CHF million)** | | | | |
| **Beginning of the measurement period** | **3,876** | **3,007** | **0** | **0** |
| Actual return on plan assets | 62 | 637 | 0 | 0 |
| Employer contributions | 19 | 135 | 10 | 8 |
| Settlements | 0 | (2) | 0 | 0 |
| Benefit payments | (113) | (109) | (10) | (8) |
| Exchange rate gains/(losses) | (132) | 208 | 0 | 0 |
| **End of the measurement period** | **3,712** | **3,876** | **0** | **0** |
| **Total funded status recognized (CHF million)** | | | | |
| Funded status of the plan – over/(underfunded) | 346 | 337 | (180) | (178) |
| **Funded status recognized in the consolidated balance sheet as of December 31** | **346** | **337** | **(180)** | **(178)** |
| **Total amount recognized (CHF million)** | | | | |
| Noncurrent assets | 825 | 822 | 0 | 0 |
| Current liabilities | (9) | (8) | (11) | (10) |
| Noncurrent liabilities | (470) | (477) | (169) | (168) |
| **Total amount recognized in the consolidated balance sheet as of December 31** | **346** | **337** | **(180)** | **(178)** |
| **ABO (CHF million) [2]** | | | | |
| **End of the measurement period** | **3,315** | **3,469** | **180** | **178** |

[1] Including estimated future salary increases.
[2] Excluding estimated future salary increases.

Due to a plan amendment in the US postretirement medical plan, the PBO of this plan decreased CHF 32 million in 2014. Under the amended plan, the Bank will no longer pay for future medical claims for covered retirees older than 65 years and will instead provide a flat subsidy to these retirees to purchase their own medical insurance.

The total net amount recognized in the consolidated balance sheets as of December 31, 2015 and 2014 was an overfunding of CHF 166 million and an overfunding of CHF 159 million, respectively.

In 2015 and 2014, the Bank made contributions of CHF 19 million and CHF 135 million, respectively, to the international single-employer defined benefit pension plans and CHF 10 million and CHF 8 million to the other post-retirement defined benefit plans. In 2016, the Bank expects to contribute CHF 21 million to the international single-employer defined benefit pension plans and CHF 11 million to other post-retirement defined benefit plans.

### PBO or ABO in excess of plan assets

The following table shows the aggregate PBO and ABO, as well as the aggregate fair value of plan assets for those plans with PBO in excess of plan assets and those plans with ABO in excess of plan assets as of December 31, 2015 and 2014, respectively.

### Defined benefit pension plans in which PBO or ABO exceeded plan assets

| | PBO exceeds fair value of plan assets [1] | | ABO exceeds fair value of plan assets [1] | |
|---|---|---|---|---|
| December 31 | **2015** | 2014 | **2015** | 2014 |
| **CHF million** | | | | |
| PBO | 1,630 | 1,671 | 1,613 | 1,655 |
| ABO | 1,600 | 1,637 | 1,589 | 1,627 |
| Fair value of plan assets | 1,152 | 1,187 | 1,137 | 1,173 |

[1] Includes only those defined benefit pension plans where the PBO/ABO exceeded the fair value of plan assets.

#### Amount recognized in AOCI and other comprehensive income

The following table shows the actuarial gains/(losses) and prior service credit/(cost) which were recorded in AOCI and subsequently recognized as components of net periodic benefit costs.

### Amounts recognized in AOCI, net of tax

| | International single-employer defined benefit pension plans | | Other post-retirement defined benefit plans | | **Total** | |
|---|---|---|---|---|---|---|
| end of | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| **Amounts recognized in AOCI (CHF million)** | | | | | | |
| Actuarial gains/(losses) | (569) | (606) | (43) | (50) | (612) | (656) |
| Prior service credit/(cost) | 0 | 0 | 3 | 17 | 3 | 17 |
| **Total** | **(569)** | **(606)** | **(40)** | **(33)** | **(609)** | **(639)** |

The following tables show the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2015 and 2014, and the amortization of the aforementioned items as components of net periodic benefit costs for these periods, as well as the amounts expected to be amortized in 2016.

### Amounts recognized in other comprehensive income

| | International single-employer defined benefit pension plans | | | Other post-retirement defined benefit plans | | | |
|---|---|---|---|---|---|---|---|
| in | Gross | Tax | Net | Gross | Tax | Net | **Total net** |
| **2015 (CHF million)** | | | | | | | |
| Actuarial gains/(losses) | (36) | 8 | (28) | (4) | 2 | (2) | (30) |
| Amortization of actuarial losses/(gains) | 84 | (19) | 65 | 14 | (5) | 9 | 74 |
| Amortization of prior service cost/(credit) | 0 | 0 | 0 | (23) | 9 | (14) | (14) |
| Immediate recognition due to curtailment/settlement | (1) | 0 | (1) | 0 | 0 | 0 | (1) |
| **Total** | **47** | **(11)** | **36** | **(13)** | **6** | **(7)** | **29** |
| **2014 (CHF million)** | | | | | | | |
| Actuarial gains/(losses) | (5) | 35 | 30 | (25) | 9 | (16) | 14 |
| Prior service credit/(cost) | 0 | 0 | 0 | 32 | (12) | 20 | 20 |
| Amortization of actuarial losses/(gains) | 52 | (14) | 38 | 9 | (3) | 6 | 44 |
| Amortization of prior service cost/(credit) | 0 | 0 | 0 | (9) | 3 | (6) | (6) |
| **Total** | **47** | **21** | **68** | **7** | **(3)** | **4** | **72** |

### Amounts in AOCI, net of tax, expected to be amortized in 2016

| in 2016 | International single-employer defined benefit pension plans | Other post-retirement defined benefit plans |
|---|---|---|
| **CHF million** | | |
| Amortization of actuarial losses/(gains) | 33 | 6 |
| **Total** | **33** | **6** |

## Assumptions

### Weighted-average assumptions used to determine net periodic benefit costs and benefit obligation

| | International single-employer defined benefit pension plans | | | Other post-retirement defined benefit plans | | |
|---|---|---|---|---|---|---|
| December 31 | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 |
| **Net periodic benefit cost (%)** | | | | | | |
| Discount rate | 3.82 | 4.71 | 4.47 | 4.20 | 5.10 | 4.30 |
| Salary increases | 4.19 | 4.31 | 4.02 | – | – | – |
| Expected long-term rate of return on plan assets | 6.00 | 6.16 | 6.18 | – | – | – |
| **Benefit obligation (%)** | | | | | | |
| Discount rate | 4.05 | 3.82 | 4.71 | 4.50 | 4.20 | 5.10 |
| Salary increases | 3.56 | 4.19 | 4.31 | – | – | – |

#### Health care cost assumptions

The health care cost trend is used to determine the appropriate other post-retirement defined benefit costs. In determining those costs, an annual weighted-average rate is assumed in the cost of covered health care benefits.

The following table provides an overview of assumed health care cost trend rates and the sensitivity of a one percentage point increase or decrease of the rate.

### Health care cost trend rates and sensitivity

| in / end of | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Health care cost trend rate (%)** | | | |
| Annual weighted-average health care cost trend rate [1] | 8.00 | 8.00 | 8.00 |
| **Increase/(decrease) in post-retirement expenses (CHF million)** | | | |
| One percentage point increase in health care cost trend rates | 0.2 | 0.2 | 1.3 |
| One percentage point decrease in health care cost trend rates | (0.2) | (0.3) | (1.0) |
| **Increase/(decrease) in post-retirement benefit obligation (CHF million)** | | | |
| One percentage point increase in health care cost trend rates | 4 | 5 | 23 |
| One percentage point decrease in health care cost trend rates | (4) | (4) | (19) |

[1] The annual health care cost trend rate is assumed to decrease gradually to achieve the long-term health care cost trend rate of 5% by 2022.

The annual health care cost trend rate used to determine the defined benefit cost for 2016 is 8.30%.

### Plan assets and investment strategy

▸ Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information.

As of December 31, 2015 and 2014, no Group debt or equity securities were included in plan assets for the international single-employer defined benefit pension plans.

### Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2015 and 2014, for the Bank's defined benefits plans.

### Plan assets measured at fair value on a recurring basis

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | **Total** | Level 1 | Level 2 | Level 3 | **Total** |
| **Plan assets at fair value (CHF million)** | | | | | | | | |
| Cash and cash equivalents | 32 | 210 | 0 | 242 | 191 | 88 | 0 | 279 |
| Debt securities | 890 | 744 | 292 | 1,926 | 189 | 1,590 | 267 | 2,046 |
| of which governments | 368 | 7 | 0 | 375 | 8 | 562 | 0 | 570 |
| of which corporates | 522 | 737 | 292 | 1,551 | 181 | 1,028 | 267 | 1,476 |
| Equity securities | 339 | 520 | 77 | 936 | 216 | 666 | 0 | 882 |
| Real estate – indirect | 0 | 87 | 48 | 135 | 0 | 0 | 117 | 117 |
| Alternative investments | (15) | 308 | 79 | 372 | 0 | 386 | 58 | 444 |
| of which hedge funds | 0 | 78 | 79 | 157 | 0 | 111 | 58 | 169 |
| of which other | (15) [1] | 230 | 0 | 215 | 0 | 275 | 0 | 275 |
| Other investments | 0 | 101 | 0 | 101 | 0 | 108 | 0 | 108 |
| **Total plan assets at fair value** | **1,246** | **1,970** | **496** | **3,712** | **596** | **2,838** | **442** | **3,876** |

[1] Primarily related to derivative instruments.

### Plan assets measured at fair value on a recurring basis for level 3

| | | | | Actual return on plan assets | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at beginning of period | Transfers in | Transfers out | On assets still held at reporting date | On assets sold during the period | Purchases, sales, settlements | Foreign currency translation impact | **Balance at end of period** |
| **2015 (CHF million)** | | | | | | | | |
| Debt securities – corporates | 267 | 0 | (12) | 2 | 0 | 35 | 0 | 292 |
| Equity securities | 0 | 77 | 0 | 0 | 0 | 0 | 0 | 77 |
| Real estate – indirect | 117 | 0 | (87) | 12 | 0 | 4 | 2 | 48 |
| Alternative investments | 58 | 6 | 0 | 1 | (1) | 15 | 0 | 79 |
| of which hedge funds | 58 | 6 | 0 | 1 | (1) | 15 | 0 | 79 |
| **Total plan assets at fair value** | **442** | **83** | **(99)** | **15** | **(1)** | **54** | **2** | **496** |
| **2014 (CHF million)** | | | | | | | | |
| Debt securities – corporates | 177 | 2 | 0 | (13) | 17 | 65 | 19 | 267 |
| Real estate – indirect | 94 | 0 | 0 | 9 | 0 | 3 | 11 | 117 |
| Alternative investments | 7 | 0 | (4) | (10) | (1) | 65 | 1 | 58 |
| of which hedge funds | 3 | 0 | 0 | (10) | (1) | 65 | 1 | 58 |
| of which other | 4 | 0 | (4) | 0 | 0 | 0 | 0 | 0 |
| **Total plan assets at fair value** | **278** | **2** | **(4)** | **(14)** | **16** | **133** | **31** | **442** |

### Plan asset allocation

The following table shows the plan asset allocation as of the measurement date calculated based on the fair value at that date including the performance of each asset class.

#### Weighted-average plan asset allocation

| December 31 | 2015 | 2014 |
|---|---|---|
| **Weighted-average plan asset allocation (%)** | | |
| Cash and cash equivalents | 6.5 | 7.2 |
| Debt securities | 51.9 | 52.7 |
| Equity securities | 25.2 | 22.8 |
| Real estate | 3.6 | 3.0 |
| Alternative investments | 10.0 | 11.5 |
| Insurance | 2.8 | 2.8 |
| **Total** | **100.0** | **100.0** |

The following table shows the target plan asset allocation for 2016 in accordance with the Bank's investment strategy. The target plan asset allocation is used to determine the expected return on plan assets to be considered in the net periodic benefit costs for 2016.

#### Weighted-average target plan asset allocation for 2016

| 2016 (%) | |
|---|---|
| Cash and cash equivalents | 0.3 |
| Debt securities | 56.6 |
| Equity securities | 23.0 |
| Real estate | 4.2 |
| Alternative investments | 13.1 |
| Insurance | 2.8 |
| **Total** | **100.0** |

### Estimated future benefit payments for defined benefit plans

The following table shows the estimated future benefit payments for defined benefit pension and other post-retirement defined benefit plans.

#### Estimated future benefit payments for defined benefit plans

| | International single-employer defined benefit pension plans | Other post-retirement defined benefit plans |
|---|---|---|
| **Estimated future benefit payments (CHF million)** | | |
| 2016 | 82 | 11 |
| 2017 | 92 | 12 |
| 2018 | 98 | 12 |
| 2019 | 106 | 13 |
| 2020 | 122 | 13 |
| For five years thereafter | 722 | 62 |

## 31 Derivatives and hedging activities

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Hedge accounting

#### Cash flow hedges

As of the end of 2015, the maximum length of time over which the Bank 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.

### Fair value of derivative instruments

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 2015 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 7,229.5 | 1.0 | 1.2 | 0.0 | 0.0 | 0.0 |
| Swaps | 16,740.0 | 118.4 | 112.8 | 49.3 | 1.2 | 0.8 |
| Options bought and sold (OTC) | 2,856.0 | 49.2 | 47.3 | 0.0 | 0.0 | 0.0 |
| Futures | 1,789.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 198.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **28,813.8** | **168.7** | **161.3** | **49.3** | **1.2** | **0.8** |
| Forwards | 1,499.1 | 16.6 | 16.9 | 10.7 | 0.0 | 0.1 |
| Swaps | 1,050.8 | 30.5 | 40.8 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 534.8 | 12.8 | 12.8 | 8.2 | 0.0 | 0.0 |
| Futures | 22.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 13.0 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **3,120.2** | **60.2** | **70.8** | **18.9** | **0.0** | **0.1** |
| Forwards | 1.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 203.9 | 5.0 | 6.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 193.9 | 8.7 | 8.0 | 0.0 | 0.0 | 0.0 |
| Futures | 39.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 284.4 | 9.1 | 11.4 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **723.4** | **22.8** | **26.2** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **831.9** | **17.8** | **17.3** | **0.0** | **0.0** | **0.0** |
| Forwards | 6.3 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 19.6 | 2.6 | 1.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 8.8 | 0.4 | 0.3 | 0.0 | 0.0 | 0.0 |
| Futures | 11.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 1.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **47.7** | **3.2** | **2.2** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **33,537.0** | **272.7** | **277.8** | **68.2** | **1.2** | **0.9** |

The notional amount, PRV and NRV (trading and hedging) was CHF 33,605.2 billion, CHF 273.9 billion and CHF 278.7 billion, respectively, as of December 31, 2015.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 2014 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 11,940.2 | 5.3 | 5.6 | 0.0 | 0.0 | 0.0 |
| Swaps | 26,382.0 | 398.7 | 392.0 | 46.5 | 2.5 | 1.1 |
| Options bought and sold (OTC) | 3,582.9 | 66.2 | 63.8 | 0.0 | 0.0 | 0.0 |
| Futures | 1,528.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 589.1 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **44,022.6** | **470.4** | **461.5** | **46.5** | **2.5** | **1.1** |
| Forwards | 2,133.5 | 32.2 | 33.4 | 14.2 | 0.0 | 0.3 |
| Swaps | 1,430.9 | 40.0 | 51.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 1,008.4 | 17.2 | 17.7 | 9.5 | 0.0 | 0.1 |
| Futures | 23.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 7.9 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,604.0** | **89.5** | **102.3** | **23.7** | **0.0** | **0.4** |
| Forwards | 4.2 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 289.3 | 6.2 | 6.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 237.7 | 11.1 | 10.4 | 0.0 | 0.0 | 0.0 |
| Futures | 46.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 370.9 | 12.7 | 14.3 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **948.5** | **30.7** | **31.5** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **1,287.5** | **27.0** | **26.2** | **0.0** | **0.0** | **0.0** |
| Forwards | 17.8 | 0.9 | 0.9 | 0.0 | 0.0 | 0.0 |
| Swaps | 44.4 | 6.7 | 6.6 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 44.6 | 1.7 | 1.8 | 0.0 | 0.0 | 0.0 |
| Futures | 13.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 2.1 | 0.4 | 0.4 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **122.2** | **9.7** | **9.7** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **50,984.8** | **627.3** | **631.2** | **70.2** | **2.5** | **1.5** |

The notional amount, PRV and NRV (trading and hedging) was CHF 51,055.0 billion, CHF 629.8 billion and CHF 632.7 billion, respectively, as of December 31, 2014.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value hedges

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | |
| Interest rate products | (94) | (142) | 378 |
| Foreign exchange products | 0 | 3 | (9) |
| **Total** | **(94)** | **(139)** | **369** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | |
| Interest rate products | 76 | 136 | (375) |
| Foreign exchange products | 0 | (3) | 9 |
| **Total** | **76** | **133** | **(366)** |
| **Details of fair value hedges (CHF million)** | | | |
| Net gains/(losses) on the ineffective portion | (18) | (6) | 3 |

Represents gains/(losses) recognized in trading revenues.

## Cash flow hedges

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Interest rate products | 21 | 40 | 7 |
| Foreign exchange products | (17) | (47) | 0 |
| **Total** | **4** | **(7)** | **7** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Interest rate products | 37 [1] | 21 [2] | 3 [2] |
| Foreign exchange products | (53) [2, 3] | (5) [3] | 0 [2] |
| **Total** | **(16)** | **16** | **3** |
| **Details of cash flow hedges (CHF million)** | | | |
| Net gains on the ineffective portion [2] | (12) | (1) | 1 |

Represents gains/(losses) on effective portion.
[1] Included in interest and other dividend income.
[2] Included in trading revenues.
[3] Included in total other operating expenses.

The net gain associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 4 million.

## Net investment hedges

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Foreign exchange products | 443 | (1,672) | 504 |
| Total | **443** | **(1,672)** | **504** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Foreign exchange products [1] | 0 | 0 | 2 |
| **Total** | **0** | **0** | **2** |

Represents gains/(losses) on effective portion.
[1] Included in other revenues.

The Bank includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

## Disclosures relating to contingent credit risk

The following table provides the Bank's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and special purpose entities (SPEs) that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch, two-notch and a three-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the negative replacement value and a percentage of the notional value of the derivative.

## Contingent credit risk

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations [1] | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 13.2 | 0.5 | 1.4 | **15.1** | 14.0 | 0.8 | 1.6 | **16.4** |
| Collateral posted | 12.3 | 0.5 | – | **12.8** | 12.2 | 0.9 | – | **13.1** |
| Additional collateral required in a one-notch downgrade event | 0.7 | 0.4 | 0.1 | **1.2** | 0.7 | 0.5 | 0.1 | **1.3** |
| Additional collateral required in a two-notch downgrade event | 1.8 | 0.7 | 0.6 | **3.1** | 2.2 | 0.8 | 0.7 | **3.7** |
| Additional collateral required in a three-notch downgrade event | 2.1 | 1.3 | 0.8 | **4.2** | 2.7 | 1.4 | 1.0 | **5.1** |

[1] Additional collateral required for accelerated terminations event has been corrected.

## Credit derivatives

▸ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative

instruments" table. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 7.8 billion and CHF 12.6 billion as of December 31, 2015 and 2014, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

## Credit protection sold/purchased

| end of | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (199.6) | 188.6 | (11.0) | 26.9 | 1.0 | (266.5) | 254.0 | (12.5) | 32.7 | 4.5 |
| Non-investment grade | (65.2) | 61.1 | (4.1) | 15.7 | (3.2) | (103.9) | 99.9 | (4.0) | 13.5 | 0.1 |
| **Total single-name instruments** | **(264.8)** | **249.7** | **(15.1)** | **42.6** | **(2.2)** | **(370.4)** | **353.9** | **(16.5)** | **46.2** | **4.6** |
| of which sovereign | (47.5) | 43.9 | (3.6) | 6.1 | (1.1) | (76.2) | 73.0 | (3.2) | 8.6 | (1.1) |
| of which non-sovereign | (217.3) | 205.8 | (11.5) | 36.5 | (1.1) | (294.2) | 280.9 | (13.3) | 37.6 | 5.7 |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (89.1) | 88.3 | (0.8) | 31.6 | (0.5) | (162.2) | 159.9 | (2.3) | 56.2 | 2.2 |
| Non-investment grade | (24.4) | 18.0 [3] | (6.4) | 6.2 | 0.2 | (53.4) | 51.1 [3] | (2.3) | 12.1 | 1.0 |
| **Total multi-name instruments** | **(113.5)** | **106.3** | **(7.2)** | **37.8** | **(0.3)** | **(215.6)** | **211.0** | **(4.6)** | **68.3** | **3.2** |
| of which sovereign | (1.0) | 1.0 | 0.0 | 1.0 | 0.0 | (7.3) | 7.2 | (0.1) | 1.1 | 0.0 |
| of which non-sovereign | (112.5) | 105.3 | (7.2) | 36.8 | (0.3) | (208.3) | 203.8 | (4.5) | 67.2 | 3.2 |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (288.7) | 276.9 | (11.8) | 58.5 | 0.5 | (428.7) | 413.9 | (14.8) | 88.9 | 6.7 |
| Non-investment grade | (89.6) | 79.1 | (10.5) | 21.9 | (3.0) | (157.3) | 151.0 | (6.3) | 25.6 | 1.1 |
| **Total instruments** | **(378.3)** | **356.0** | **(22.3)** | **80.4** | **(2.5)** | **(586.0)** | **564.9** | **(21.1)** | **114.5** | **7.8** |
| of which sovereign | (48.5) | 44.9 | (3.6) | 7.1 | (1.1) | (83.5) | 80.2 | (3.3) | 9.7 | (1.1) |
| of which non-sovereign | (329.8) | 311.1 | (18.7) | 73.3 | (1.4) | (502.5) | 484.7 | (17.8) | 104.8 | 8.9 |

[1] Represents credit protection purchased with identical underlyings and recoveries.
[2] Based on internal ratings of BBB and above.
[3] Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

## Credit derivatives

| end of | **2015** | 2014 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 378.3 | 586.0 |
| Credit protection purchased | 356.0 | 564.9 |
| Other protection purchased | 80.4 | 114.5 |
| Other instruments [1] | 17.2 | 22.1 |
| **Total credit derivatives** | **831.9** | **1,287.5** |

[1] Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

## Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | **Total** |
|---|---|---|---|---|
| **2015 (CHF billion)** | | | | |
| Single-name instruments | 52.1 | 196.4 | 16.3 | 264.8 |
| Multi-name instruments | 19.0 | 84.9 | 9.6 | 113.5 |
| **Total instruments** | **71.1** | **281.3** | **25.9** | **378.3** |
| **2014 (CHF billion)** | | | | |
| Single-name instruments | 78.0 | 253.9 | 38.5 | 370.4 |
| Multi-name instruments | 31.2 | 134.3 | 50.1 | 215.6 |
| **Total instruments** | **109.2** | **388.2** | **88.6** | **586.0** |

## 32 Guarantees and commitments

### Guarantees

| end of | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | | |
| Credit guarantees and similar instruments | 2,908 | 743 | 285 | 451 | 4,387 | 4,178 | 24 | 1,727 |
| Performance guarantees and similar instruments | 4,201 | 1,929 | 603 | 81 | 6,814 | 5,915 | 75 | 3,104 |
| Securities lending indemnifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derivatives [2] | 23,528 | 10,061 | 3,149 | 1,451 | 38,189 | 38,189 | 755 | – [3] |
| Other guarantees | 3,901 | 517 | 445 | 516 | 5,379 | 5,374 | 51 | 3,492 |
| **Total guarantees** | **34,538** | **13,250** | **4,482** | **2,499** | **54,769** | **53,656** | **905** | **8,323** |
| **2014 (CHF million)** | | | | | | | | |
| Credit guarantees and similar instruments | 2,488 | 733 | 257 | 593 | 4,071 | 3,832 | 30 | 1,654 |
| Performance guarantees and similar instruments | 4,798 | 1,219 | 1,178 | 97 | 7,292 | 6,425 | 40 | 3,155 |
| Securities lending indemnifications | 12,257 | 0 | 0 | 0 | 12,257 | 12,257 | 0 | 12,257 |
| Derivatives [2] | 24,599 | 6,157 | 981 | 1,815 | 33,552 | 33,552 | 954 | – [3] |
| Other guarantees | 3,477 | 776 | 230 | 394 | 4,877 | 4,870 | 43 | 2,773 |
| **Total guarantees** | **47,619** | **8,885** | **2,646** | **2,899** | **62,049** | **60,936** | **1,067** | **19,839** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Bank had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the Bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank, the Bank's share in the deposit insurance guarantee program for the period July 1, 2015 to June 30, 2016 is CHF 0.5 billion. These deposit insurance guarantees were reflected in other guarantees.

▸ Refer to "Note 33 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Representations and warranties on residential mortgage loans sold

In connection with the former Investment Banking division's sale of US residential mortgage loans, the Bank has provided certain representations and warranties relating to the loans sold.

▸ Refer to "Note 33 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Lease commitments

| Lease commitments (CHF million) | |
|---|---|
| 2016 | 563 |
| 2017 | 546 |
| 2018 | 517 |
| 2019 | 483 |
| 2020 | 458 |
| Thereafter | 3,460 |
| **Future operating lease commitments** | **6,027** |
| Less minimum non-cancellable sublease rentals | 200 |
| **Total net future minimum lease commitments** | **5,827** |

### Rental expense for operating leases

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Rental expense for operating leases (CHF million)** | | | |
| Minimum rental expense | 558 | 572 | 642 |
| Sublease rental income | (92) | (81) | (85) |
| **Total net expenses for operating leases** | **466** | **491** | **557** |

## Operating lease commitments

▸ Refer to "Note 33 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Sale-leaseback transactions

There were no significant transactions in 2015.

During 2015, 2014 and 2013, the Bank entered into several smaller sale-leaseback transactions in respect of own property, which were all recognized as operating lease arrangements with lease terms of between two and eighteen years, between two and ten years and between five and ten years, respectively. The total contractual rental expenses were CHF 67 million for the 2015 sale-leaseback transactions, CHF 17 million for the 2014 sale-leaseback transactions and CHF 78 million for the 2013 sale-leaseback transactions.

## Other commitments

| end of | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | **Total gross amount** | Total net amount [1] | Collateral received |
|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | |
| Irrevocable commitments under documentary credits | 4,020 | 4 | 3 | 0 | 4,027 | 3,932 | 2,468 |
| Irrevocable loan commitments | 33,776 | 45,286 | 44,755 | 13,586 | 137,403 [2] | 133,583 | 63,275 |
| Forward reverse repurchase agreements | 48 | 0 | 0 | 0 | 48 | 48 | 48 |
| Other commitments | 404 | 124 | 29 | 168 | 725 | 726 | 6 |
| **Total other commitments** | **38,248** | **45,414** | **44,787** | **13,754** | **142,203** | **138,289** | **65,797** |
| **2014 (CHF million)** | | | | | | | |
| Irrevocable commitments under documentary credits | 4,717 | 11 | 1 | 0 | 4,729 | 4,570 | 2,769 |
| Irrevocable loan commitments | 29,938 | 32,751 | 46,440 | 10,965 | 120,094 [2] | 115,306 | 56,958 |
| Forward reverse repurchase agreements | 8,292 | 0 | 0 | 0 | 8,292 | 8,292 | 8,292 |
| Other commitments | 690 | 768 | 43 | 223 | 1,724 | 1,724 | 0 |
| **Total other commitments** | **43,637** | **33,530** | **46,484** | **11,188** | **134,839** | **129,892** | **68,019** |

[1] Total net amount is computed as the gross amount less any participations.

[2] Irrevocable loan commitments do not include a total gross amount of CHF 95,025 million and CHF 97,608 million of unused credit limits as of December 31, 2015 and 2014, respectively, which were revocable at the Bank's sole discretion upon notice to the client.

▸ Refer to "Note 33 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 33 Transfers of financial assets and variable interest entities

### TRANSFERS OF FINANCIAL ASSETS

▸ Refer to "Note 34 – Transfers of financial assets and variable interest entities" in V – Credit Suisse Group – Consolidated financial statements for further information.

#### Securitizations

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2015, 2014 and 2013 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Bank and the SPEs used in any securitizations in which the Bank still has continuing involvement, regardless of when the securitization occurred.

#### Securitizations

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Gains and cash flows (CHF million)** | | | |
| **CMBS** | | | |
| Net gain [1] | 1 | 7 | 4 |
| Proceeds from transfer of assets | 9,813 | 5,335 | 5,574 |
| Cash received on interests that continue to be held | 148 | 102 | 70 |
| **RMBS** | | | |
| Net gain/(loss) [1] | 5 | 13 | (8) |
| Proceeds from transfer of assets | 20,062 | 22,728 | 24,523 |
| Purchases of previously transferred financial assets or its underlying collateral | (1) | (4) | (10) |
| Servicing fees | 3 | 2 | 4 |
| Cash received on interests that continue to be held | 457 | 444 | 486 |
| **Other asset-backed financings** | | | |
| Net gain [1] | 24 | 29 | 15 |
| Proceeds from transfer of assets | 1,740 | 1,819 | 915 |
| Purchases of previously transferred financial assets or its underlying collateral [2] | 0 | 0 | (213) |
| Cash received on interests that continue to be held | 3 | 17 | 633 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

[2] Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

#### Continuing involvement in transferred financial assets

The following table provides the outstanding principal balance of assets to which the Bank continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of December 31, 2015 and 2014, regardless of when the transfer of assets occurred.

#### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 40,625 | 41,216 |
| Total assets of SPE | 56,118 | 53,354 |
| **RMBS** | | |
| Principal amount outstanding | 54,164 | 49,884 |
| Total assets of SPE | 55,833 | 50,017 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 21,653 | 26,176 |
| Total assets of SPE | 22,787 | 26,176 |

Principal amount outstanding relates to assets transferred from the Bank and does not include principle amounts for assets transferred from third parties.

#### Fair value of beneficial interests

The ○ fair value measurement of beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Bank may utilize to hedge the inherent risks.

#### Key economic assumptions at the time of transfer

▸ Refer to "Note 34 – Financial instruments" for further information on the fair value hierarchy.

### Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

| at time of transfer, in | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | CMBS | RMBS | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,512 | 2,110 | 1,341 | 4,023 | 633 | 2,993 |
| of which level 2 | 1,442 | 1,695 | 1,242 | 3,791 | 476 | 2,879 |
| of which level 3 | 70 | 415 | 100 | 232 | 156 | 114 |
| Weighted-average life, in years | 8.2 | 9.0 | 4.1 | 7.7 | 7.3 | 7.7 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 1.1–30.1 | – [2] | 1.5–23.0 | – [2] | 2.0–31.0 |
| Cash flow discount rate (rate per annum), in % [3] | 1.7–7.2 | 1.7–33.7 | 1.0–11.0 | 1.9–17.8 | 1.6–11.6 | 0.0–45.9 |
| Expected credit losses (rate per annum), in % | 0.7–5.9 | 0.5–15.9 | 1.0–2.2 | 0.4–15.3 | 0.0–7.5 | 0.0–45.8 |

Transfers of assets in which the Bank does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

### Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of December 31, 2015 and 2014.

### Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,007 | 2,274 | 56 | 1,168 | 2,394 | 212 |
| of which non-investment grade | 73 | 581 | 55 | 79 | 246 | 146 |
| Weighted-average life, in years | 6.7 | 9.7 | 2.5 | 5.6 | 7.8 | 3.6 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.0–37.1 | – | – | 1.0–36.6 | – |
| Impact on fair value from 10% adverse change | – | (30.5) | – | – | (29.2) | – |
| Impact on fair value from 20% adverse change | – | (57.6) | – | – | (56.4) | – |
| Cash flow discount rate (rate per annum), in % [4] | 2.1–13.3 | 1.5–35.5 | 5.7–21.2 | 1.6–22.3 | 1.7–44.0 | 0.3–21.2 |
| Impact on fair value from 10% adverse change | (18.1) | (63.1) | (0.7) | (14.0) | (43.8) | (1.2) |
| Impact on fair value from 20% adverse change | (35.6) | (122.5) | (1.5) | (27.4) | (85.3) | (2.4) |
| Expected credit losses (rate per annum), in % | 0.9–12.7 | 1.3–34.3 | 0.2–14.2 | 1.0–22.2 | 0.0–41.7 | 1.4–13.1 |
| Impact on fair value from 10% adverse change | (8.0) | (32.3) | (0.7) | (7.1) | (25.3) | (0.4) |
| Impact on fair value from 20% adverse change | (15.9) | (63.2) | (1.5) | (14.0) | (49.4) | (0.7) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[2] CDOs within this category are generally structured to be protected from prepayment risk.

[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[4] The rate was based on the weighted-average yield on the beneficial interests.

### Transfers of financial assets where sale treatment was not achieved

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of December 31, 2015 and 2014.

**Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved**

| end of | 2015 | 2014 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Other assets | 0 | 26 |
| Liability to SPE, included in Other liabilities | 0 | (26) |
| **RMBS** | | |
| Other assets | 266 | 0 |
| Liability to SPE, included in Other liabilities | (266) | 0 |
| **Other asset-backed financings** | | |
| Trading assets | 155 | 138 |
| Other assets | 122 | 252 |
| Liability to SPE, included in Other liabilities | (277) | (390) |

### Transfers of financial assets accounted for as a sale

The following table presents information about the transfers of financial assets accounted for as sales with agreements that result in the Bank retaining substantially all of the exposure to the economic return on the transferred assets at the date of sale and remain outstanding as of December 31, 2015, gross cash proceeds received for assets derecognized at the date of sale and the fair values of transferred assets and the types of agreements as of December 31, 2015.

**Transfer of financial assets accounted for as sales – by transaction type**

| | at date of derecognition | | end of | | |
|---|---|---|---|---|---|
| | Carrying amount derecognized | Gross cash proceeds received for assets derecognized | Fair value of transferred assets | Gross derivative assets recorded [1] | Gross derivative liabilities recorded [1] |
| **2015 (CHF million)** | | | | | |
| Sales with total return swaps | 395 | 397 | 398 | 7 | 7 |
| Sales with longevity swaps | 308 | 378 | 375 | 546 | – |
| **Total transactions outstanding** | **703** | **775** | **773** | **553** [2] | **7** [3] |

[1] Balances presented on a gross basis, before application of counterparty and cash collateral netting.
[2] Gross derivative assets of CHF 7 million and CHF 546 million included in equity/index-related products and other products, respectively, as disclosed in Note 31 – Derivatives and hedging activities.
[3] Gross derivative liabilities of CHF 7 million in equity/index-related products, as disclosed in Note 31 – Derivatives and hedging activities.

### Securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of December 31, 2015.

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by class of collateral pledged

| end of | 2015 |
|---|---|
| **CHF billion** | |
| Government debt securities | 21.1 |
| Corporate debt securities | 15.2 |
| Asset-backed securities | 21.6 |
| Equity securities | 0.1 |
| Other | 0.1 |
| **Securities sold under repurchase agreements** | **58.1** |
| Government debt securities | 3.1 |
| Corporate debt securities | 0.4 |
| Equity securities | 8.2 |
| Other | 0.3 |
| **Securities lending transactions** | **12.0** |
| Government debt securities | 0.5 |
| Corporate debt securities | 0.1 |
| Equity securities | 27.9 |
| **Obligation to return securities received as collateral, at fair value** | **28.5** |
| **Total** | **98.6** |

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by remaining contractual maturity

| | | Remaining contractual maturities | | | |
|---|---|---|---|---|---|
| end of | On demand [1] | Up to 30 days [2] | 31-90 days | More than 90 days | **Total** |
| **2015 (CHF billion)** | | | | | |
| Securities sold under repurchase agreements | 7.7 | 29.9 | 8.1 | 12.4 | 58.1 |
| Securities lending transactions | 6.0 | 3.6 | 1.8 | 0.6 | 12.0 |
| Obligation to return securities received as collateral, at fair value | 26.2 | 2.3 | 0.0 | 0.0 | 28.5 |
| **Total** | **39.9** | **35.8** | **9.9** | **13.0** | **98.6** |

[1] Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.
[2] Includes overnight transactions.

▸ Refer to "Note 26 – Offsetting of financial assets and financial liabilities" for further information on the gross amount of securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral and the net amounts disclosed in the consolidated balance sheets.

## VARIABLE INTEREST ENTITIES

▸ Refer to "Note 34 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Commercial paper conduit

The Bank acts as the administrator and provider of liquidity and credit enhancement facilities for one asset-backed CP conduit, Alpine, a client-focused multi-seller conduit vehicle. Alpine publishes portfolio and asset data and submits its portfolio to a rating agency for public ratings based on the cash flows of the portfolio taken as a whole. This CP conduit purchases assets, primarily loans and receivables, from clients and finances such purchases through the issuance of CP backed by these assets. For an asset to qualify for acquisition by the CP conduit, it must be rated at least investment grade after giving effect to the related asset-specific credit enhancement primarily provided by the client seller of the asset. The clients provide credit support to investors of the CP conduit in the form of over-collateralization and other asset-specific enhancements. Further, an unaffiliated investor retains a limited first-loss position in Alpine's entire portfolio. Alpine is a separate legal entity that is wholly owned by the Bank. However, its assets are available to satisfy only the claims of its creditors. In addition, the Bank, as administrator and liquidity and credit enhancement facilities provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Bank is deemed the primary beneficiary and consolidates this entity. The Bank has decided not to issue any CP from Alpine and all outstanding CP was fully repaid as of December 31, 2015.

The overall average maturity of the conduit's outstanding CP was approximately 49 days as of December 31, 2014. As of December 31, 2014, Alpine had the highest short-term rating from Moody's and Dominion Bond Rating Service and was rated A-1 by Standard & Poor's and F-1 by Fitch. Alpine's purchased assets were advance financing receivables, student loans and CDOs. As of December 31, 2015 and 2014, those assets had a weighted average rating of A- and AA, respectively, based on the lowest of each asset's internal rating and, where available, external rating, and an average maturity of 3.3 years and 1.8 years, respectively.

The Bank's commitment to this CP conduit consists of obligations under liquidity agreements and a program-wide credit enhancement agreement. The liquidity agreements are asset-specific arrangements, which require the Bank to purchase assets from the CP conduit in certain circumstances, including a lack of liquidity in the CP market such that the CP conduit cannot refinance its obligations or, in some cases, a default of an underlying asset. The Bank may, at its discretion, purchase assets that fall below investment grade in order to support the CP conduit. In both circumstances, the asset-specific credit enhancements provided by the client seller of the assets and the first-loss investor's respective exposures to those assets remain unchanged. In entering into such agreements, the Bank reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit. The program-wide credit enhancement agreement with the CP conduit would absorb potential defaults of the assets, but is senior to the credit protection provided by the client seller of assets and the first-loss investor.

The Bank believes that the likelihood of incurring a loss equal to the maximum exposure is remote because the assets held by the CP conduit, after giving effect to related asset-specific credit enhancement primarily provided by the clients, are classified as investment grade. The Bank's economic risks associated with the purchased assets of the CP conduit are included in the Bank's risk management framework including counterparty, economic risk capital and scenario analysis.

### Consolidated VIEs

The Bank has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Bank consolidated all VIEs related to financial intermediation for which it was the primary beneficiary.

### Consolidated VIEs in which the Bank was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | CP Conduit | Securi-tizations | Funds | Loans | Other | **Total** |
| **2015 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,351 | 0 | 21 | 9 | 93 | 219 | 1,693 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 53 | 0 | 0 | 0 | 0 | 53 |
| Trading assets | 283 | 49 | 0 | 941 | 1,001 | 98 | 2,372 |
| Investment securities | 0 | 0 | 1,009 | 0 | 0 | 0 | 1,009 |
| Other investments | 0 | 0 | 0 | 0 | 1,553 | 433 | 1,986 |
| Net loans | 0 | 0 | 0 | 0 | 27 | 1,285 | 1,312 |
| Premises and equipment | 0 | 0 | 0 | 0 | 299 | 0 | 299 |
| Other assets | 10,839 | 123 | 1,671 | 0 | 82 | 1,735 | 14,450 |
| of which loans held-for-sale | 10,790 | 0 | 469 | 0 | 16 | 0 | 11,275 |
| **Total assets of consolidated VIEs** | **12,473** | **225** | **2,701** | **950** | **3,055** | **3,770** | **23,174** |
| Trading liabilities | 8 | 0 | 0 | 0 | 18 | 1 | 27 |
| Short-term borrowings | 0 | 0 | 81 | 0 | 0 | 0 | 81 |
| Long-term debt | 12,428 | 0 | 2,128 | 125 | 136 | 9 | 14,826 |
| Other liabilities | 51 | 3 | 3 | 1 | 134 | 643 | 835 |
| **Total liabilities of consolidated VIEs** | **12,487** | **3** | **2,212** | **126** | **288** | **653** | **15,769** |
| **2014 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,122 | 0 | 16 | 187 | 109 | 59 | 1,493 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 660 | 0 | 0 | 0 | 0 | 660 |
| Trading assets | 615 | 57 | 250 | 1,715 | 867 | 757 | 4,261 |
| Other investments | 0 | 0 | 0 | 30 | 1,651 | 424 | 2,105 |
| Net loans | 0 | 12 | 0 | 0 | 24 | 209 | 245 |
| Premises and equipment | 0 | 0 | 0 | 0 | 422 | 0 | 422 |
| Other assets | 8,726 | 262 | 4,741 | 3 | 195 | 2,205 | 16,132 |
| of which loans held-for-sale | 8,689 | 0 | 3,500 | 0 | 24 | 356 | 12,569 |
| **Total assets of consolidated VIEs** | **10,463** | **991** | **5,007** | **1,935** | **3,268** | **3,654** | **25,318** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 3 | 3 |
| Trading liabilities | 6 | 0 | 0 | 0 | 23 | 6 | 35 |
| Short-term borrowings | 0 | 9,384 | 0 | 0 | 0 | 0 | 9,384 |
| Long-term debt | 10,318 | 18 | 2,418 | 216 | 99 | 383 | 13,452 |
| Other liabilities | 27 | 29 | 573 | 124 | 146 | 828 | 1,727 |
| **Total liabilities of consolidated VIEs** | **10,351** | **9,431** | **2,991** | **340** | **268** | **1,220** | **24,601** |

### Non-consolidated VIEs

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Bank has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Bank has with the entity and thus are not amounts that are considered for risk management purposes.

### Non-consolidated VIEs

| | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|
| end of | CDO | Securitizations | Funds | Loans | Other | **Total** |
| **2015 (CHF million)** | | | | | | |
| Trading assets | 90 | 6,021 | 871 | 425 | 8 | 7,415 |
| Net loans | 36 | 1,508 | 2,634 | 5,053 | 1,723 | 10,954 |
| Other assets | 0 | 11 | 13 | 0 | 161 | 185 |
| **Total variable interest assets** | **126** | **7,540** | **3,518** | **5,478** | **1,892** | **18,554** |
| **Maximum exposure to loss** | **126** | **12,986** | **3,518** | **11,866** | **2,570** | **31,066** |
| **Non-consolidated VIE assets** | **6,590** | **113,530** | **54,112** | **41,824** | **11,463** | **227,519** |
| **2014 (CHF million)** | | | | | | |
| Trading assets | 179 | 5,009 | 1,201 | 494 | 625 | 7,508 |
| Net loans | 211 | 2,307 [1] | 3,113 | 5,482 [1] | 1,544 | 12,657 [1] |
| Other assets | 0 | 4 | 20 | 0 | 189 | 213 |
| **Total variable interest assets** | **390** | **7,320** [1] | **4,334** | **5,976** [1] | **2,358** | **20,378** [1] |
| **Maximum exposure to loss** | **752** | **12,830** [1] | **4,489** | **11,157** [1] | **2,358** | **31,586** [1] |
| **Non-consolidated VIE assets** | **8,604** | **120,243** [1] | **56,413** | **45,268** [1] | **12,170** | **242,698** [1] |

[1] Prior period has been corrected.

## 34 Financial instruments

▸ Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group for further information.

## Assets and liabilities measured at fair value on a recurring basis

| end of 2015 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 89 | 0 | – | 89 |
| Interest-bearing deposits with banks | 0 | 2 | 0 | – | 2 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 83,407 | 158 | – | 83,565 |
| Debt | 811 | 493 | 0 | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | 261 |
| Equity | 27,141 | 66 | 0 | – | 27,207 |
| Securities received as collateral | 27,952 | 559 | 0 | – | 28,511 |
| Debt | 27,932 | 48,050 | 4,564 | – | 80,546 |
| of which foreign governments | 27,710 | 3,737 | 285 | – | 31,732 |
| of which corporates | 13 | 15,765 | 1,746 | – | 17,524 |
| of which RMBS | 0 | 22,302 | 814 | – | 23,116 |
| of which CMBS | 0 | 3,924 | 215 | – | 4,139 |
| of which CDO | 0 | 2,317 | 1,298 | – | 3,615 |
| Equity | 64,393 | 5,222 | 1,487 | – | 71,102 |
| Derivatives | 2,625 | 265,362 | 4,831 | (244,239) | 28,579 |
| of which interest rate products | 657 | 167,269 | 791 | – | – |
| of which foreign exchange products | 104 | 59,742 | 383 | – | – |
| of which equity/index-related products | 1,857 | 20,053 | 936 | – | – |
| of which credit derivatives | 0 | 16,267 | 1,568 | – | – |
| Other | 2,034 | 4,569 | 4,266 | – | 10,869 |
| Trading assets | 96,984 | 323,203 | 15,148 | (244,239) | 191,096 |
| Debt | 1,322 | 1,142 | 148 | – | 2,612 |
| of which foreign governments | 1,322 | 0 | 0 | – | 1,322 |
| of which corporates | 0 | 281 | 0 | – | 281 |
| of which RMBS | 0 | 602 | 148 | – | 750 |
| of which CMBS | 0 | 259 | 0 | – | 259 |
| Equity | 2 | 84 | 0 | – | 86 |
| Investment securities | 1,324 | 1,226 | 148 | – | 2,698 |
| Private equity | 0 | 0 | 1,033 | – | 1,033 |
| of which equity funds | 0 | 0 | 428 | – | 428 |
| Hedge funds | 0 | 98 | 197 | – | 295 |
| of which debt funds | 0 | 68 | 192 | – | 260 |
| Other equity investments | 0 | 79 | 1,149 | – | 1,228 |
| of which private | 0 | 70 | 1,149 | – | 1,219 |
| Life finance instruments | 0 | 2 | 1,669 | – | 1,671 |
| Other investments | 0 | 179 | 4,048 | – | 4,227 |
| Loans | 0 | 11,870 | 8,950 | – | 20,820 |
| of which commercial and industrial loans | 0 | 5,811 | 5,735 | – | 11,546 |
| of which financial institutions | 0 | 4,102 | 1,729 | – | 5,831 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 112 | – | 112 |
| Other assets | 687 | 18,863 | 7,087 | (1,011) | 25,626 |
| of which loans held-for-sale | 0 | 14,378 | 6,768 | – | 21,146 |
| **Total assets at fair value** | **126,947** | **439,398** | **35,651** | **(245,250)** | **356,746** |
| Less other investments – equity at fair value attributable to noncontrolling interests | 0 | (18) | (583) | – | (601) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (9,212) | (3,558) | – | (12,770) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **126,947** | **430,168** | **31,510** | **(245,250)** | **343,375** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2015 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 490 | 0 | – | 490 |
| Customer deposits | 0 | 3,402 | 254 | – | 3,656 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 32,398 | 0 | – | 32,398 |
| Debt | 811 | 493 | 0 | – | 1,304 |
| of which corporates | 0 | 261 | 0 | – | 261 |
| Equity | 27,141 | 66 | 0 | – | 27,207 |
| Obligation to return securities received as collateral | 27,952 | 559 | 0 | – | 28,511 |
| Debt | 4,100 | 4,289 | 16 | – | 8,405 |
| of which foreign governments | 4,050 | 491 | 0 | – | 4,541 |
| of which corporates | 30 | 3,597 | 16 | – | 3,643 |
| Equity | 16,899 | 160 | 45 | – | 17,104 |
| Derivatives | 3,062 | 270,135 | 4,554 | (254,206) | 23,545 |
| of which interest rate products | 671 | 160,026 | 578 | – | – |
| of which foreign exchange products | 82 | 70,382 | 329 | – | – |
| of which equity/index-related products | 2,299 | 22,515 | 1,347 | – | – |
| of which credit derivatives | 0 | 15,522 | 1,757 | – | – |
| Trading liabilities | 24,061 | 274,584 | 4,615 | (254,206) | 49,054 |
| Short-term borrowings | 0 | 3,040 | 72 | – | 3,112 |
| Long-term debt | 0 | 65,879 | 14,123 | – | 80,002 |
| of which treasury debt over two years | 0 | 4,590 | 0 | – | 4,590 |
| of which structured notes over one year and up to two years | 0 | 6,396 | 364 | – | 6,760 |
| of which structured notes over two years | 0 | 38,066 | 9,924 | – | 47,990 |
| of which other debt instruments over two years | 0 | 1,435 | 638 | – | 2,073 |
| of which other subordinated bonds | 0 | 4,547 | 0 | – | 4,547 |
| of which non-recourse liabilities | 0 | 10,642 | 3,197 | – | 13,839 |
| Other liabilities | 0 | 9,999 | 2,483 | (737) | 11,745 |
| of which failed sales | 0 | 530 | 454 | – | 984 |
| **Total liabilities at fair value** | **52,013** | **390,351** | **21,547** | **(254,943)** | **208,968** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2014 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 304 | 0 | – | 304 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 104,206 | 77 | – | 104,283 |
| Debt | 121 | 781 | 0 | – | 902 |
| of which corporates | 0 | 745 | 0 | – | 745 |
| Equity | 25,908 | 44 | 0 | – | 25,952 |
| Securities received as collateral | 26,029 | 825 | 0 | – | 26,854 |
| Debt | 31,937 | 58,003 | 4,465 | – | 94,405 |
| of which foreign governments | 31,708 | 4,869 | 454 | – | 37,031 |
| of which corporates | 28 | 22,507 | 1,435 | – | 23,970 |
| of which RMBS | 0 | 22,150 | 612 | – | 22,762 |
| of which CMBS | 0 | 5,293 | 257 | – | 5,550 |
| of which CDO | 0 | 3,185 | 1,421 | – | 4,606 |
| Equity | 86,532 | 6,395 | 1,566 | – | 94,493 |
| Derivatives | 4,467 | 616,012 | 6,823 | (589,323) | 37,979 |
| of which interest rate products | 1,616 | 467,002 | 1,803 | – | – |
| of which foreign exchange products | 118 | 89,102 | 301 | – | – |
| of which equity/index-related products | 2,711 | 26,904 | 1,063 | – | – |
| of which credit derivatives | 0 | 24,451 | 2,569 | – | – |
| Other | 2,987 | 7,123 | 4,326 | – | 14,436 |
| Trading assets | 125,923 | 687,533 | 17,180 | (589,323) | 241,313 |
| Debt | 1,962 | 309 | 0 | – | 2,271 |
| of which foreign governments | 1,962 | 0 | 0 | – | 1,962 |
| of which corporates | 0 | 309 | 0 | – | 309 |
| Equity | 2 | 103 | 3 | – | 108 |
| Investment securities | 1,964 | 412 | 3 | – | 2,379 |
| Private equity | 0 | 0 | 1,268 | – | 1,268 |
| of which equity funds | 0 | 0 | 567 | – | 567 |
| Hedge funds | 0 | 219 | 314 | – | 533 |
| of which debt funds | 0 | 181 | 302 | – | 483 |
| Other equity investments | 77 | 75 | 1,855 | – | 2,007 |
| of which private | 0 | 70 | 1,855 | – | 1,925 |
| Life finance instruments | 0 | 0 | 1,834 | – | 1,834 |
| Other investments | 77 | 294 | 5,271 | – | 5,642 |
| Loans | 0 | 13,560 | 9,353 | – | 22,913 |
| of which commercial and industrial loans | 0 | 5,816 | 5,853 | – | 11,669 |
| of which financial institutions | 0 | 6,227 | 1,494 | – | 7,721 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 70 | – | 70 |
| Other assets | 2,457 | 23,371 | 7,468 | (975) | 32,321 |
| of which loans held-for-sale | 0 | 16,107 | 6,851 | – | 22,958 |
| **Total assets at fair value** | **156,450** | **830,505** | **39,422** | **(590,298)** | **436,079** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (75) | (133) | (821) | – | (1,029) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (9,123) | (3,155) | – | (12,278) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **156,375** | **821,249** | **35,446** | **(590,298)** | **422,772** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2014 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 832 | 0 | – | 832 |
| Customer deposits | 0 | 3,151 | 100 | – | 3,251 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 54,732 | 0 | – | 54,732 |
| Debt | 121 | 781 | 0 | – | 902 |
| of which corporates | 0 | 745 | 0 | – | 745 |
| Equity | 25,908 | 44 | 0 | – | 25,952 |
| Obligation to return securities received as collateral | 26,029 | 825 | 0 | – | 26,854 |
| Debt | 11,678 | 4,914 | 1 | – | 16,593 |
| of which foreign governments | 11,530 | 757 | 0 | – | 12,287 |
| of which corporates | 21 | 3,917 | 1 | – | 3,939 |
| Equity | 19,075 | 122 | 2 | – | 19,199 |
| Derivatives | 4,594 | 620,144 | 6,414 | (594,277) | 36,875 |
| of which interest rate products | 1,585 | 458,730 | 1,202 | – | – |
| of which foreign exchange products | 234 | 101,461 | 560 | – | – |
| of which equity/index-related products | 2,744 | 27,266 | 1,466 | – | – |
| of which credit derivatives | 0 | 23,479 | 2,760 | – | – |
| Trading liabilities | 35,347 | 625,180 | 6,417 | (594,277) | 72,667 |
| Short-term borrowings | 0 | 3,766 | 95 | – | 3,861 |
| Long-term debt | 0 | 65,652 | 14,608 | – | 80,260 |
| of which treasury debt over two years | 0 | 8,616 | 0 | – | 8,616 |
| of which structured notes over two years | 0 | 31,083 | 10,267 | – | 41,350 |
| of which non-recourse liabilities | 0 | 10,126 | 2,952 | – | 13,078 |
| Other liabilities | 0 | 14,601 | 3,358 | (1,026) | 16,933 |
| of which failed sales | 0 | 652 | 616 | – | 1,268 |
| **Total liabilities at fair value** | **61,376** | **768,739** | **24,578** | **(595,303)** | **259,390** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Transfers between level 1 and level 2

| in | 2015 | | 2014 | |
|---|---|---|---|---|
| | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 85 | 187 | 1,108 | 533 |
| Equity | 566 | 1,257 | 513 | 391 |
| Derivatives | 4,328 | 24 | 5,785 | 500 |
| **Trading assets** | **4,979** | **1,468** | **7,406** | **1,424** |
| **Liabilities (CHF million)** | | | | |
| Debt | 108 | 79 | 861 | 658 |
| Equity | 85 | 139 | 133 | 90 |
| Derivatives | 4,552 | 114 | 6,073 | 87 |
| **Trading liabilities** | **4,745** | **332** | **7,067** | **835** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 2015 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 77 | 0 | (41) | 0 |
| Securities received as collateral | 0 | 0 | 0 | 4 |
| Debt | 4,465 | 1,591 | (1,463) | 2,950 |
| of which corporates | 1,435 | 823 | (467) | 1,281 |
| of which RMBS | 612 | 492 | (615) | 1,064 |
| of which CMBS | 257 | 127 | (83) | 207 |
| of which CDO | 1,421 | 72 | (252) | 379 |
| Equity | 1,566 | 749 | (702) | 1,228 |
| Derivatives | 6,823 | 2,310 | (1,243) | 0 |
| of which interest rate products | 1,803 | 53 | (282) | 0 |
| of which equity/index-related products | 1,063 | 530 | (362) | 0 |
| of which credit derivatives | 2,569 | 1,574 | (599) | 0 |
| Other | 4,326 | 1,157 | (896) | 4,085 |
| Trading assets | 17,180 | 5,807 | (4,304) | 8,263 |
| Investment securities | 3 | 8 | (97) | 320 |
| Equity | 3,437 | 1 | (424) | 200 |
| Life finance instruments | 1,834 | 0 | 0 | 201 |
| Other investments | 5,271 | 1 | (424) | 401 |
| Loans | 9,353 | 1,347 | (1,153) | 686 |
| of which commercial and industrial loans | 5,853 | 985 | (365) | 69 |
| of which financial institutions | 1,494 | 329 | (266) | 296 |
| Other intangible assets (mortgage servicing rights) | 70 | 0 | 0 | 18 |
| Other assets | 7,468 | 4,025 | (3,937) | 4,244 |
| of which loans held-for-sale [2] | 6,851 | 4,016 | (3,841) | 4,137 |
| **Total assets at fair value** | **39,422** | **11,188** | **(9,956)** | **13,936** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 100 | 12 | (16) | 0 |
| Obligation to return securities received as collateral | 0 | 0 | 0 | 4 |
| Trading liabilities | 6,417 | 2,515 | (1,891) | 63 |
| of which interest rate derivatives | 1,202 | 109 | (400) | 0 |
| of which foreign exchange derivatives | 560 | 19 | (36) | 0 |
| of which equity/index-related derivatives | 1,466 | 297 | (796) | 0 |
| of which credit derivatives | 2,760 | 1,860 | (628) | 0 |
| Short-term borrowings | 95 | 98 | (37) | 0 |
| Long-term debt | 14,608 | 2,603 | (4,819) | 0 |
| of which structured notes over two years | 10,267 | 1,117 | (3,293) | 0 |
| of which non-recourse liabilities | 2,952 | 1,197 | (902) | 0 |
| Other liabilities | 3,358 | 249 | (1,238) | 184 |
| of which failed sales | 616 | 14 | (18) | 132 |
| **Total liabilities at fair value** | **24,578** | **5,477** | **(8,001)** | **251** |
| **Net assets/(liabilities) at fair value** | **14,844** | **5,711** | **(1,955)** | **13,685** |

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.
[2] Includes unrealized losses recorded in trading revenues of CHF (308) million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| 0 | 259 | (141) | 0 | 0 | 0 | 0 | 4 | 158 |
| (4) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (2,974) | 0 | 0 | (30) | 221 | 0 | 0 | (196) | 4,564 |
| (1,388) | 0 | 0 | (17) | 189 | 0 | 0 | (110) | 1,746 |
| (772) | 0 | 0 | (6) | 29 | 0 | 0 | 10 | 814 |
| (265) | 0 | 0 | (2) | (24) | 0 | 0 | (2) | 215 |
| (364) | 0 | 0 | (6) | 51 | 0 | 0 | (3) | 1,298 |
| (1,087) | 0 | 0 | (34) | (228) | 0 | 0 | (5) | 1,487 |
| 0 | 1,493 | (3,875) | 11 | (545) | 0 | 0 | (143) | 4,831 |
| 0 | 304 | (719) | 6 | (341) | 0 | 0 | (33) | 791 |
| 0 | 366 | (680) | 10 | 32 | 0 | 0 | (23) | 936 |
| 0 | 405 | (1,776) | (5) | (547) | 0 | 0 | (53) | 1,568 |
| (4,276) | 0 | (292) | (7) | 182 | 0 | 0 | (13) | 4,266 |
| (8,337) | 1,493 | (4,167) | (60) | (370) | 0 | 0 | (357) | 15,148 |
| (102) | 0 | (36) | 6 | 39 | 0 | 0 | 7 | 148 |
| (786) | 0 | 0 | 0 | (18) | 70 | 57 | (158) | 2,379 |
| (361) | 0 | 0 | 0 | (1) | 0 | 0 | (4) | 1,669 |
| (1,147) | 0 | 0 | 0 | (19) | 70 | 57 | (162) | 4,048 |
| (1,055) | 3,519 | (3,371) | 1 | (207) | (4) | (14) | (152) | 8,950 |
| (687) | 2,205 | (2,072) | 1 | (85) | (4) | (14) | (151) | 5,735 |
| (213) | 811 | (639) | 0 | (85) | 0 | 0 | 2 | 1,729 |
| 0 | 0 | 0 | 0 | 9 | 0 | 14 | 1 | 112 |
| (3,691) | 784 | (1,309) | (8) | (208) | 0 | (5) | (276) | 7,087 |
| (3,410) | 784 | (1,309) | (13) | (178) | 0 | (3) | (266) | 6,768 |
| **(14,336)** | **6,055** | **(9,024)** | **(61)** | **(756)** | **66** | **52** | **(935)** | **35,651** |
| 0 | 213 | (28) | 0 | (18) | 0 | 0 | (9) | 254 |
| (4) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (57) | 1,460 | (3,098) | 20 | (697) | 0 | (18) | (99) | 4,615 |
| 0 | 140 | (343) | 13 | (127) | 0 | 0 | (16) | 578 |
| 0 | 20 | (76) | 1 | (151) | 0 | 0 | (8) | 329 |
| 0 | 689 | (349) | 48 | 3 | 0 | 0 | (11) | 1,347 |
| 0 | 330 | (2,098) | (43) | (362) | 0 | 0 | (62) | 1,757 |
| 0 | 371 | (442) | (1) | (10) | 0 | 0 | (2) | 72 |
| 0 | 7,386 | (4,874) | (16) | (801) | 0 | (5) | 41 | 14,123 |
| 0 | 5,464 | (3,104) | (7) | (566) | 0 | 0 | 46 | 9,924 |
| 0 | 912 | (807) | (3) | (148) | 0 | 0 | (4) | 3,197 |
| (218) | 10 | (244) | 11 | 18 | 8 | 403 | (58) | 2,483 |
| (127) | 0 | 0 | 2 | (160) | 0 | 0 | (5) | 454 |
| **(279)** | **9,440** | **(8,686)** | **14** | **(1,508)** | **8** | **380** | **(127)** | **21,547** |
| **(14,057)** | **(3,385)** | **(338)** | **(75)** | **752** | **58** | **(328)** | **(808)** | **14,104** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 2014 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | 0 | (151) | 0 |
| Debt | 5,069 | 1,260 | (3,018) | 5,554 |
| of which corporates | 2,128 | 392 | (756) | 1,161 |
| of which RMBS | 436 | 625 | (676) | 732 |
| of which CMBS | 417 | 105 | (392) | 415 |
| of which CDO | 1,567 | 112 | (697) | 2,593 |
| Equity | 595 | 939 | (469) | 727 |
| Derivatives | 5,217 | 2,156 | (1,168) | 0 |
| of which interest rate products | 1,574 | 70 | (40) | 0 |
| of which equity/index-related products | 1,240 | 132 | (534) | 0 |
| of which credit derivatives | 1,138 | 1,891 | (575) | 0 |
| Other | 2,829 | 863 | (878) | 4,168 |
| Trading assets | 13,710 | 5,218 | (5,533) | 10,449 |
| Investment securities | 2 | 0 | 0 | 0 |
| Equity | 5,363 | 2 | (22) | 727 |
| Life finance instruments | 1,600 | 0 | 0 | 204 |
| Other investments | 6,963 | 2 | (22) | 931 |
| Loans | 7,998 | 500 | (601) | 1,024 |
| of which commercial and industrial loans | 5,309 | 253 | (349) | 368 |
| of which financial institutions | 1,322 | 156 | (163) | 16 |
| Other intangible assets (mortgage servicing rights) | 42 | 0 | 0 | 29 |
| Other assets | 6,159 | 3,165 | (3,205) | 7,852 |
| of which loans held-for-sale | 5,615 | 3,154 | (3,174) | 7,486 |
| **Total assets at fair value** | **35,078** | **8,885** | **(9,512)** | **20,285** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 55 | 0 | 0 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | 0 | (127) | 0 |
| Trading liabilities | 5,564 | 2,471 | (1,655) | 36 |
| of which interest rate derivatives | 1,129 | 56 | (109) | 0 |
| of which foreign exchange derivatives | 938 | 0 | (2) | 0 |
| of which equity/index-related derivatives | 1,896 | 478 | (941) | 0 |
| of which credit derivatives | 1,230 | 1,906 | (587) | 0 |
| Short-term borrowings | 165 | 67 | (74) | 0 |
| Long-term debt | 9,780 | 2,441 | (3,475) | 0 |
| of which structured notes over two years | 6,217 | 1,468 | (1,931) | 0 |
| of which non-recourse liabilities | 2,552 | 924 | (1,007) | 0 |
| Other liabilities | 2,859 | 121 | (133) | 530 |
| of which failed sales | 1,143 | 76 | (50) | 292 |
| **Total liabilities at fair value** | **18,537** | **5,100** | **(5,464)** | **566** |
| **Net assets/(liabilities) at fair value** | **16,541** | **3,785** | **(4,048)** | **19,719** |

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24 | 77 |
| (5,435) | 0 | 0 | (60) | 535 | 0 | 0 | 560 | 4,465 |
| (2,004) | 0 | 0 | (68) | 402 | 0 | 0 | 180 | 1,435 |
| (659) | 0 | 0 | 11 | 81 | 0 | 0 | 62 | 612 |
| (282) | 0 | 0 | 0 | (58) | 0 | 0 | 52 | 257 |
| (2,402) | 0 | 0 | (8) | 61 | 0 | 0 | 195 | 1,421 |
| (554) | 0 | 0 | 35 | 196 | 0 | 0 | 97 | 1,566 |
| 0 | 2,330 | (3,334) | 110 | 941 | 0 | 0 | 571 | 6,823 |
| 0 | 197 | (574) | 13 | 393 | 0 | 0 | 170 | 1,803 |
| 0 | 405 | (417) | 120 | (26) | 0 | 0 | 143 | 1,063 |
| 0 | 536 | (899) | (28) | 379 | 0 | 0 | 127 | 2,569 |
| (3,288) | 0 | (201) | 17 | 404 | 0 | 0 | 412 | 4,326 |
| (9,277) | 2,330 | (3,535) | 102 | 2,076 | 0 | 0 | 1,640 | 17,180 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 3 |
| (3,512) | 0 | 0 | 0 | 22 | 0 | 534 | 323 | 3,437 |
| (333) | 0 | 0 | 0 | 179 | 0 | 0 | 184 | 1,834 |
| (3,845) | 0 | 0 | 0 | 201 | 0 | 534 | 507 | 5,271 |
| (2,012) | 4,878 | (3,168) | 3 | (173) | 0 | (2) | 906 | 9,353 |
| (1,098) | 3,346 | (2,428) | 1 | (118) | 0 | (4) | 573 | 5,853 |
| (422) | 943 | (482) | 0 | (33) | 0 | 5 | 152 | 1,494 |
| 0 | 0 | 0 | 0 | (7) | 0 | 0 | 6 | 70 |
| (6,713) | 845 | (1,448) | 165 | (5) | 0 | 0 | 653 | 7,468 |
| (6,382) | 845 | (1,448) | 169 | (2) | 0 | (1) | 589 | 6,851 |
| **(21,847)** | **8,053** | **(8,151)** | **270** | **2,092** | **0** | **532** | **3,737** | **39,422** |
| 0 | 45 | (19) | 0 | 16 | 0 | 0 | 3 | 100 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 0 |
| (39) | 1,526 | (2,778) | 251 | 469 | 0 | 0 | 572 | 6,417 |
| 0 | 72 | (499) | 1 | 429 | 0 | 0 | 123 | 1,202 |
| 0 | 5 | (239) | (4) | (205) | 0 | 0 | 67 | 560 |
| 0 | 656 | (890) | 273 | (201) | 0 | 0 | 195 | 1,466 |
| 0 | 473 | (885) | (16) | 496 | 0 | 0 | 143 | 2,760 |
| 0 | 382 | (456) | (3) | 0 | 0 | 0 | 14 | 95 |
| 0 | 8,432 | (3,870) | 144 | (338) | 0 | 0 | 1,494 | 14,608 |
| 0 | 5,930 | (2,027) | (6) | (406) | 0 | 0 | 1,022 | 10,267 |
| 0 | 1,170 | (1,153) | 155 | 10 | 0 | 0 | 301 | 2,952 |
| (1,215) | 647 | (233) | 11 | 114 | 3 | 359 | 295 | 3,358 |
| (949) | 0 | 0 | 0 | 29 | 0 | (2) | 77 | 616 |
| **(1,254)** | **11,032** | **(7,356)** | **403** | **261** | **3** | **359** | **2,391** | **24,578** |
| **(20,593)** | **(2,979)** | **(795)** | **(133)** | **1,831** | **(3)** | **173** | **1,346** | **14,844** |

## Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

| in | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | 677 | (270) | **407** [1] | 1,698 | 170 | **1,868** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | 80 | 7 | **87** | (834) | 23 | **(811)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

## Quantitative information about level 3 assets at fair value

| **end of 2015** | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 158 | Discounted cash flow | Funding spread, in bp | 350 | 475 | 361 |
| Debt | 4,564 | | | | | |
| of which corporates | 1,746 | | | | | |
| of which | 240 | Option model | Correlation, in % | (87) | 99 | 17 |
| of which | 836 | Market comparable | Price, in % | 0 | 128 | 29 |
| of which | 285 | Discounted cash flow | Credit spread, in bp | 134 | 1,408 | 493 |
| of which RMBS | 814 | Discounted cash flow | Discount rate, in % | 1 | 36 | 8 |
| | | | Prepayment rate, in % | 0 | 27 | 9 |
| | | | Default rate, in % | 0 | 20 | 3 |
| | | | Loss severity, in % | 0 | 100 | 50 |
| of which CMBS | 215 | Discounted cash flow | Capitalization rate, in % | 7 | 8 | 7 |
| | | | Discount rate, in % | 0 | 23 | 8 |
| | | | Prepayment rate, in % | 0 | 16 | 3 |
| | | | Default rate, in % | 0 | 32 | 1 |
| | | | Loss severity, in % | 0 | 75 | 4 |
| of which CDO | 1,298 | | | | | |
| of which | 66 | Vendor price | Price, in % | 0 | 100 | 96 |
| of which | 329 | Discounted cash flow | Discount rate, in % | 1 | 25 | 11 |
| | | | Prepayment rate, in % | 0 | 20 | 14 |
| | | | Credit spread, in bp | 293 | 336 | 309 |
| | | | Default rate, in % | 0 | 10 | 2 |
| | | | Loss severity, in % | 0 | 100 | 46 |
| of which | 807 | Market comparable | Price, in % | 214 | 214 | 214 |
| Equity | 1,487 | | | | | |
| of which | 342 | Option model | Volatility, in % | 2 | 253 | 29 |
| of which | 471 | Market comparable | EBITDA multiple | 3 | 12 | 8 |
| | | | Price, in % | 0 | 202 | 96 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2015 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 4,831 | | | | | |
| of which interest rate products | 791 | Option model | Correlation, in % | 17 | 100 | 63 |
| | | | Prepayment rate, in % | 1 | 36 | 16 |
| | | | Volatility skew, in % | (8) | 0 | (2) |
| | | | Mean reversion, in % [2] | 5 | 10 | 10 |
| | | | Credit spread, in bp | 130 | 1,687 | 330 |
| of which equity/index-related products | 936 | | | | | |
| of which | 778 | Option model | Correlation, in % | (87) | 99 | 23 |
| | | | Volatility, in % | 0 | 253 | 26 |
| of which | 109 | Market comparable | EBITDA multiple | 4 | 10 | 7 |
| | | | Price, in % | 97 | 97 | 97 |
| of which credit derivatives | 1,568 | Discounted cash flow | Credit spread, in bp | 1 | 2,349 | 331 |
| | | | Recovery rate, in % | 0 | 60 | 23 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 35 | 6 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 43 | 97 | 85 |
| | | | Prepayment rate, in % | 0 | 12 | 4 |
| | | | Funding spread, in bp | 61 | 68 | 67 |
| Other | 4,266 | | | | | |
| of which | 2,859 | Market comparable | Price, in % | 0 | 106 | 45 |
| of which | 865 | Discounted cash flow | Market implied life expectancy, in years | 3 | 18 | 8 |
| Trading assets | 15,148 | | | | | |
| Investment securities | 148 | – | – | – | – | – |
| Private equity | 1,033 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Hedge funds | 197 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Other equity investments | 1,149 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Life finance instruments | 1,669 | Discounted cash flow | Market implied life expectancy, in years | 2 | 20 | 8 |
| Other investments | 4,048 | | | | | |
| Loans | 8,950 | | | | | |
| of which commercial and industrial loans | 5,735 | | | | | |
| of which | 3,799 | Discounted cash flow | Credit spread, in bp | 70 | 2,528 | 474 |
| of which | 1,146 | Market comparable | Price, in % | 0 | 106 | 65 |
| of which financial institutions | 1,729 | | | | | |
| of which | 1,451 | Discounted cash flow | Credit spread, in bp | 84 | 826 | 359 |
| of which | 109 | Market comparable | Price, in % | 0 | 100 | 98 |
| Other intangible assets (mortgage servicing rights) | 112 | – | – | – | – | – |
| Other assets | 7,087 | | | | | |
| of which loans held-for-sale | 6,768 | | | | | |
| of which | 3,594 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 722 | Discounted cash flow | Credit spread, in bp | 99 | 3,220 | 515 |
| | | | Recovery rate, in % | 1 | 1 | 1 |
| of which | 2,251 | Market comparable | Price, in % | 0 | 104 | 76 |
| **Total level 3 assets at fair value** | **35,651** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Disclosure not required as balances are carried at unadjusted net asset value. Refer to "Fair value, unfunded commitments and term of redemption conditions" for further information.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2014 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 77 | Discounted cash flow | Funding spread, in bp | 350 | 350 | 350 |
| Debt | 4,465 | | | | | |
| of which corporates | 1,435 | | | | | |
| of which | 201 | Option model | Correlation, in % | (88) | 97 | 17 |
| | | | Buyback probability, in % [2] | 50 | 100 | 68 |
| of which | 180 | Market comparable | Price, in % | 0 | 124 | 67 |
| of which | 1,051 | Discounted cash flow | Credit spread, in bp | 9 | 1,644 | 361 |
| of which RMBS | 612 | Discounted cash flow | Discount rate, in % | 1 | 31 | 9 |
| | | | Prepayment rate, in % | 0 | 29 | 8 |
| | | | Default rate, in % | 1 | 19 | 3 |
| | | | Loss severity, in % | 0 | 100 | 50 |
| of which CMBS | 257 | Discounted cash flow | Capitalization rate, in % | 7 | 10 | 8 |
| | | | Discount rate, in % | 0 | 28 | 9 |
| | | | Prepayment rate, in % | 0 | 20 | 12 |
| | | | Default rate, in % | 0 | 21 | 1 |
| | | | Loss severity, in % | 0 | 35 | 3 |
| of which CDO | 1,421 | | | | | |
| of which | 89 | Vendor price | Price, in % | 0 | 100 | 95 |
| of which | 286 | Discounted cash flow | Discount rate, in % | 3 | 23 | 7 |
| | | | Prepayment rate, in % | 0 | 20 | 17 |
| | | | Default rate, in % | 0 | 7 | 2 |
| | | | Loss severity, in % | 3 | 100 | 35 |
| of which | 837 | Market comparable | Price, in % | 93 | 196 | 191 |
| Equity | 1,566 | | | | | |
| of which | 765 | Market comparable | EBITDA multiple | 3 | 13 | 9 |
| | | | Price, in % | 1 | 163 | 51 |
| of which | 26 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2014 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Derivatives | 6,823 | | | | | |
| of which interest rate products | 1,803 | Option model | Correlation, in % | 9 | 100 | 76 |
| | | | Prepayment rate, in % | 0 | 33 | 24 |
| | | | Volatility skew, in % | (9) | 3 | (1) |
| | | | Mean reversion, in % [2] | 5 | 10 | 10 |
| | | | Credit spread, in bp | 229 | 1,218 | 1,046 |
| of which equity/index-related products | 1,063 | Option model | Correlation, in % | (88) | 97 | 8 |
| | | | Volatility, in % | 0 | 276 | 27 |
| of which credit derivatives | 2,569 | Discounted cash flow | Credit spread, in bp | 1 | 6,087 | 614 |
| | | | Recovery rate, in % | 0 | 75 | 20 |
| | | | Discount rate, in % | 1 | 38 | 18 |
| | | | Default rate, in % | 1 | 43 | 7 |
| | | | Loss severity, in % | 10 | 100 | 65 |
| | | | Correlation, in % | 46 | 97 | 83 |
| | | | Prepayment rate, in % | 0 | 9 | 4 |
| | | | Funding spread, in bp | 51 | 106 | 80 |
| Other | 4,326 | | | | | |
| of which | 3,493 | Market comparable | Price, in % | 0 | 104 | 50 |
| of which | 770 | Discounted cash flow | Market implied life expectancy, in years | 3 | 20 | 9 |
| Trading assets | 17,180 | | | | | |
| Investment securities | 3 | – | – | – | – | – |
| Private equity | 1,268 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Hedge funds | 314 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Other equity investments | 1,855 | | | | | |
| of which private | 1,855 | | | | | |
| of which | 337 | Discounted cash flow | Contingent probability, in % | 69 | 69 | 69 |
| of which | 1,051 | – [3] | – [3] | – [3] | – [3] | – [3] |
| Life finance instruments | 1,834 | Discounted cash flow | Market implied life expectancy, in years | 2 | 21 | 8 |
| Other investments | 5,271 | | | | | |
| Loans | 9,353 | | | | | |
| of which commercial and industrial loans | 5,853 | | | | | |
| of which | 5,011 | Discounted cash flow | Credit spread, in bp | 34 | 2,528 | 462 |
| | | | Recovery rate, in % | 0 | 100 | 68 |
| of which | 650 | Market comparable | Price, in % | 0 | 100 | 82 |
| of which financial institutions | 1,494 | Discounted cash flow | Credit spread, in bp | 60 | 813 | 304 |
| Other intangible assets (mortgage servicing rights) | 70 | – | – | – | – | – |
| Other assets | 7,468 | | | | | |
| of which loans held-for-sale | 6,851 | | | | | |
| of which | 2,654 | Vendor price | Price, in % | 0 | 109 | 99 |
| of which | 1,321 | Discounted cash flow | Credit spread, in bp | 146 | 2,047 | 334 |
| | | | Recovery rate, in % | 1 | 39 | 30 |
| of which | 2,430 | Market comparable | Price, in % | 0 | 100 | 67 |
| **Total level 3 assets at fair value** | **39,422** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Disclosure not required as balances are carried at unadjusted net asset value. Refer to "Fair value, unfunded commitments and term of redemption conditions" for further information.

## Quantitative information about level 3 liabilities at fair value

| end of 2015<br>CHF million, except where indicated | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| Customer deposits | 254 | – | – | – | – | – |
| Trading liabilities | 4,615 | | | | | |
| of which interest rate derivatives | 578 | Option model | Basis spread, in bp | (7) | 53 | 25 |
| | | | Correlation, in % | 17 | 100 | 75 |
| | | | Mean reversion, in % [2] | 5 | 10 | 8 |
| | | | Prepayment rate, in % | 0 | 36 | 9 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| | | | Funding spread, in bp | 218 | 218 | 218 |
| of which foreign exchange derivatives | 329 | Option model | Correlation, in % | (10) | 70 | 54 |
| | | | Prepayment rate, in % | 24 | 36 | 30 |
| of which equity/index-related derivatives | 1,347 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 26 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| of which credit derivatives | 1,757 | Discounted cash flow | Credit spread, in bp | 1 | 1,687 | 275 |
| | | | Discount rate, in % | 2 | 50 | 19 |
| | | | Default rate, in % | 1 | 33 | 5 |
| | | | Recovery rate, in % | 8 | 60 | 27 |
| | | | Loss severity, in % | 15 | 100 | 64 |
| | | | Correlation, in % | 17 | 95 | 80 |
| | | | Funding spread, in bp | 51 | 68 | 68 |
| | | | Prepayment rate, in % | 0 | 12 | 5 |
| Short-term borrowings | 72 | – | – | – | – | – |
| Long-term debt | 14,123 | | | | | |
| of which structured notes over two years | 9,924 | Option model | Correlation, in % | (87) | 99 | 17 |
| | | | Volatility, in % | 2 | 253 | 28 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| | | | Gap risk, in % [3] | 0 | 3 | 1 |
| | | | Credit spread, in bp | 153 | 182 | 177 |
| of which non-recourse liabilities | 3,197 | | | | | |
| of which | 3,183 | Vendor price | Price, in % | 0 | 101 | 97 |
| of which | 14 | Market comparable | Price, in % | 0 | 87 | 9 |
| Other liabilities | 2,483 | | | | | |
| of which failed sales | 454 | | | | | |
| of which | 379 | Market comparable | Price, in % | 0 | 106 | 90 |
| of which | 68 | Discounted cash flow | Credit spread, in bp | 571 | 1,687 | 1,425 |
| | | | Discount rate, in % | 7 | 23 | 15 |
| **Total level 3 liabilities at fair value** | **21,547** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Risk of unexpected large declines in the underlying values between collateral settlement dates.
[4] Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.

## Quantitative information about level 3 liabilities at fair value (continued)

| end of 2014 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 100 | – | – | – | – | – |
| Trading liabilities | 6,417 | | | | | |
| of which interest rate derivatives | 1,202 | Option model | Basis spread, in bp | (11) | 85 | 44 |
| | | | Correlation, in % | 9 | 100 | 78 |
| | | | Mean reversion, in % [2] | 5 | 10 | 9 |
| | | | Prepayment rate, in % | 0 | 33 | 21 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| of which foreign exchange derivatives | 560 | Option model | Correlation, in % | (10) | 70 | 50 |
| | | | Prepayment rate, in % | 22 | 33 | 28 |
| of which equity/index-related derivatives | 1,466 | Option model | Correlation, in % | (88) | 97 | 17 |
| | | | Skew, in % | 44 | 260 | 110 |
| | | | Volatility, in % | 1 | 276 | 27 |
| | | | Buyback probability, in % [4] | 50 | 100 | 68 |
| of which credit derivatives | 2,760 | Discounted cash flow | Credit spread, in bp | 1 | 6,087 | 508 |
| | | | Discount rate, in % | 2 | 34 | 17 |
| | | | Default rate, in % | 1 | 43 | 7 |
| | | | Recovery rate, in % | 0 | 75 | 28 |
| | | | Loss severity, in % | 10 | 100 | 65 |
| | | | Correlation, in % | 9 | 94 | 57 |
| | | | Funding spread, in bp | 51 | 82 | 64 |
| | | | Prepayment rate, in % | 0 | 12 | 4 |
| Short-term borrowings | 95 | – | – | – | – | – |
| Long-term debt | 14,608 | | | | | |
| of which structured notes over two years | 10,267 | | | | | |
| of which | 8,002 | Option model | Correlation, in % | (88) | 99 | 18 |
| | | | Volatility, in % | 4 | 276 | 30 |
| | | | Buyback probability, in % [4] | 50 | 100 | 68 |
| | | | Gap risk, in % [3] | 0 | 3 | 0 |
| of which | 515 | Discounted cash flow | Credit spread, in bp | 228 | 597 | 455 |
| of which non-recourse liabilities | 2,952 | | | | | |
| of which | 2,766 | Vendor price | Price, in % | 0 | 109 | 99 |
| of which | 90 | Market comparable | Price, in % | 0 | 100 | 7 |
| Other liabilities | 3,358 | | | | | |
| of which failed sales | 616 | | | | | |
| of which | 450 | Market comparable | Price, in % | 0 | 103 | 63 |
| of which | 124 | Discounted cash flow | Credit spread, in bp | 852 | 1,286 | 912 |
| | | | Recovery rate, in % | 39 | 39 | 39 |
| **Total level 3 liabilities at fair value** | **24,578** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Risk of unexpected large declines in the underlying values between collateral settlement dates.
[4] Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.

## Fair value, unfunded commitments and term of redemption conditions

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commitments** |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 2 | 0 | 2 | 0 | 7 | 106 | 113 | 0 |
| Equity funds | 79 | 1,606 [1] | 1,685 | 0 | 102 | 1,842 [2] | 1,944 | 0 |
| Equity funds sold short | 0 | (6) | (6) | 0 | 0 | (42) | (42) | 0 |
| Total funds held in trading assets and liabilities | 81 | 1,600 | 1,681 | 0 | 109 | 1,906 | 2,015 | 0 |
| Debt funds | 184 | 76 | 260 | 1 | 296 | 187 | 483 | 1 |
| Equity funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 35 | 35 | 0 | 0 | 50 | 50 | 0 |
| Hedge funds | 184 | 111 [3] | 295 | 1 | 296 | 237 [4] | 533 | 1 |
| Debt funds | 11 | 0 | 11 | 17 | 17 | 0 | 17 | 15 |
| Equity funds | 428 | 0 | 428 | 114 | 567 | 0 | 567 | 122 |
| Real estate funds | 282 | 0 | 282 | 76 | 302 | 0 | 302 | 98 |
| Others | 312 | 0 | 312 | 141 | 382 | 0 | 382 | 158 |
| Private equities | 1,033 | 0 | 1,033 | 348 | 1,268 | 0 | 1,268 | 393 |
| Equity method investments [5] | 660 | 196 | 856 | 100 | 1,196 | 157 | 1,353 | 220 |
| Total funds held in other investments [5] | 1,877 | 307 | 2,184 | 449 | 2,760 | 394 | 3,154 | 614 |
| **Total fair value [5]** | **1,958** [6] | **1,907** [7] | **3,865** | **449** [8] | **2,869** [6] | **2,300** [7] | **5,169** | **614** [8] |

[1] 40% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 31% is redeemable on an annual basis with a notice period of more than 60 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 6% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[2] 42% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 28% is redeemable on an annual basis with a notice period of more than 60 days, 16% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 14% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[3] 87% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, 5% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

[4] 87% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, and 11% is redeemable on an annual basis with a notice period of more than 60 days.

[5] Prior period has been corrected.

[6] Includes CHF 464 million and CHF 612 million attributable to noncontrolling interests in 2015 and 2014, respectively.

[7] Includes CHF 9 million and CHF 138 million attributable to noncontrolling interests in 2015 and 2014, respectively.

[8] Includes CHF 176 million and CHF 185 million attributable to noncontrolling interests in 2015 and 2014, respectively.

## Nonrecurring fair value changes

| end of | **2015** | 2014 |
|---|---|---|
| **Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.1** | **1.4** |
| of which level 2 | 0.1 | 1.2 |
| of which level 3 | 0.0 | 0.2 |

## Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

| end of | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 1,628 | 5,019 | (3,391) | 1,147 | 3,816 | (2,669) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 2 | 2 | 0 | 0 | 0 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 83,565 | 83,397 | 168 | 104,283 | 104,027 | 256 |
| Loans | 20,820 | 22,289 | (1,469) | 22,913 | 23,782 | (869) |
| Other assets [1] | 23,906 | 30,308 | (6,402) | 26,088 | 33,091 | (7,003) |
| Due to banks and customer deposits | (913) | (826) | (87) | (914) | (873) | (41) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (32,398) | (32,381) | (17) | (54,732) | (54,661) | (71) |
| Short-term borrowings | (3,112) | (3,263) | 151 | (3,861) | (3,918) | 57 |
| Long-term debt | (80,002) | (84,351) | 4,349 | (80,260) | (80,344) | 84 |
| Other liabilities | (984) | (2,619) | 1,635 | (1,268) | (2,767) | 1,499 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| | Net gains/ (losses) | Net gains/ (losses) | Net gains/ (losses) |
| **Financial instruments (CHF million)** | | | |
| Interest-bearing deposits with banks | (38) [2] | 9 [1] | 10 [1] |
| of which related to credit risk | 1 | 3 | (3) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,279 [1] | 913 [1] | 1,143 [1] |
| Other investments | 240 [3] | 373 [3] | 126 [3] |
| of which related to credit risk | 0 | 5 | 11 |
| Loans | 439 [1] | 10 [2] | 1,470 [1] |
| of which related to credit risk | (236) | (151) | 26 |
| Other assets | 111 [1] | 1,302 [1] | 2,058 [1] |
| of which related to credit risk | (511) | 387 | 604 |
| Due to banks and customer deposits | 4 [2] | (59) [2] | 0 |
| of which related to credit risk | 19 | (17) | (5) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 55 [2] | 205 [2] | (67) [1] |
| Short-term borrowings | 439 [2] | 152 [2] | (256) [2] |
| Long-term debt | 5,398 [2] | 678 [2] | (2,738) [2] |
| of which related to credit risk [4] | 224 | 527 | (334) |
| Other liabilities | 314 [3] | (175) [2] | 413 [2] |
| of which related to credit risk | (95) | (162) | 112 |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Primarily recognized in other revenues.
[4] Changes in fair value related to credit risk are due to the change in the Bank's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes.

## Carrying value and fair value of financial instruments not carried at fair value

| | Carrying value | Fair value | | | |
|---|---|---|---|---|---|
| end of | | Level 1 | Level 2 | Level 3 | Total |
| **2015 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 39,871 | 0 | 39,872 | 0 | 39,872 |
| Loans | 231,395 | 4 | 232,391 | 6,150 | 238,545 |
| Other financial assets [1] | 150,743 | 90,740 | 58,456 | 1,796 | 150,992 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 349,015 | 197,645 | 151,774 | 0 | 349,419 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 14,200 | 0 | 14,401 | 0 | 14,401 |
| Short-term borrowings | 5,546 | 0 | 5,545 | 0 | 5,545 |
| Long-term debt | 112,091 | 0 | 112,638 | 778 | 113,416 |
| Other financial liabilities [2] | 63,970 | 32 | 63,496 | 578 | 64,106 |
| **2014 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 58,925 | 0 | 58,925 | 0 | 58,925 |
| Loans | 230,340 | 0 | 232,271 | 3,678 | 235,949 |
| Other financial assets [1] | 149,925 | 79,170 | 69,554 | 1,482 | 150,206 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 379,992 | 208,759 | 171,230 | 0 | 379,989 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 15,387 | 0 | 15,387 | 0 | 15,387 |
| Short-term borrowings | 22,061 | 0 | 22,064 | 0 | 22,064 |
| Long-term debt | 92,687 | 0 | 92,908 | 1,201 | 94,109 |
| Other financial liabilities [2] | 84,874 | 15 | 84,146 | 585 | 84,746 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 35 Assets pledged and collateral

### Assets pledged

The Bank pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are parenthetically disclosed on the consolidated balance sheet.

### Assets pledged

| end of | 2015 | 2014 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 130,983 | 148,345 |
| of which encumbered | 91,278 | 103,245 |

### Collateral

The Bank receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Bank was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | 2015 | 2014 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 422,659 | 444,852 |
| of which sold or repledged | 186,298 | 218,752 [1] |

[1] Prior period has been corrected.

### Other information

| end of | 2015 | 2014 |
|---|---|---|
| **Other information (CHF million)** | | |
| Cash and securities restricted under foreign banking regulations | 24,592 | 26,286 |
| Swiss National Bank required minimum liquidity reserves | 1,890 | 2,051 |

▸ Refer to "Note 36 – Assets pledged and collateral" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 36 Capital adequacy

The Bank is subject to regulation by FINMA. The capital levels of the Bank are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. Since January 2013, the Bank has operated under the international capital adequacy standards known as Basel III, as issued by the Basel Committee on Banking Supervision (BCBS), the standard setting committee within the Bank for International Settlements (BIS). These standards have affected the measurement of both total eligible capital and risk-weighted assets.

As of December 31, 2015 and 2014, the Bank was adequately capitalized under the regulatory provisions outlined under both FINMA and the BIS guidelines.

▸ Refer to "Note 37 – Capital adequacy" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Broker-dealer operations

Certain Group broker-dealer subsidiaries are also subject to capital adequacy requirements. As of December 31, 2015 and 2014, the Bank and its subsidiaries, with one exception in 2014, complied with all applicable regulatory capital adequacy requirements. As of December 31, 2014, due to an operational delay in the return of cash collateral from an affiliate, CS Capital LLC was left with an unsecured receivable that led to a capital charge of the same amount. The capital charge resulted in CS Capital LLC failing to meet the minimum net capital requirement as of December 31, 2014. On January 2, 2015, the cash collateral was returned to CS Capital LLC and the net capital deficiency was cured.

### Dividend restrictions

Certain of the Bank's subsidiaries are subject to legal restrictions governing the amount of dividends they can pay (for example, pursuant to corporate law as defined by the Swiss Code of Obligations).

As of December 31, 2015 and 2014, the Bank was not subject to restrictions on its ability to pay the proposed dividends.

### BIS statistics – Basel III

| end of | 2015 | 2014 |
|---|---|---|
| **Eligible capital (CHF million)** | | |
| CET1 capital | 40,013 | 40,853 |
| Additional tier 1 capital | 10,557 | 6,261 |
| **Total tier 1 capital** | **50,570** | **47,114** |
| Tier 2 capital | 9,672 | 10,997 |
| **Total eligible capital** | **60,242** | **58,111** |
| **Risk-weighted assets (CHF million)** | | |
| Credit risk | 185,574 | 184,531 |
| Market risk | 29,755 | 34,439 |
| Operational risk | 66,438 | 58,413 |
| Non-counterparty risk | 5,180 | 5,611 |
| **Risk-weighted assets** | **286,947** | **282,994** |
| **Capital ratios (%)** | | |
| CET1 ratio | 13.9 | 14.4 |
| Tier 1 ratio | 17.6 | 16.6 |
| Total capital ratio | 21.0 | 20.5 |

## 37 Assets under management

The following disclosure provides information regarding client assets, assets under management and net new assets as regulated by the FINMA.

▸ Refer to "Note 38 – Assets under management" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Assets under management

| end of | 2015 | 2014 |
|---|---|---|
| **Assets under management (CHF billion)** | | |
| Assets in collective investment instruments managed by Credit Suisse | 186.9 | 157.2 |
| Assets with discretionary mandates | 220.3 | 269.1 |
| Other assets under management | 789.7 | 924.8 |
| **Assets under management (including double counting)** | **1,196.9** | **1,351.1** |
| of which double counting | 46.8 | 46.3 |

### Changes in assets under management

| | 2015 | 2014 |
|---|---|---|
| **Assets under management (CHF billion)** | | |
| **Assets under management at beginning of period** [1] | **1,351.1** | **1,265.1** |
| Net new assets/(net asset outflows) | 46.4 | 27.2 [2] |
| Market movements, interest, dividends and foreign exchange | (26.6) | 87.4 |
| of which market movements, interest and dividends [3] | 10.0 | 38.6 |
| of which foreign exchange | (36.6) | 48.8 |
| Other effects | (174.0) [4] | (28.6) |
| **Assets under management at end of period** | **1,196.9** | **1,351.1** |

[1] Including double counting.
[2] Includes CHF (2.0) billion net asset outflows from discontinued operations.
[3] Net of commissions and other expenses and net of interest expenses charged.
[4] Effective as of July 1, 2015, the Group updated its assets under management policy primarily to introduce more specific criteria and indicators to evaluate whether client assets qualify as assets under management. The introduction of this updated policy resulted in a reclassification of CHF 45.9 billion of assets under management to assets under custody within client assets, which has been reflected as a structural effect in the third quarter of 2015.

## 38 Litigation

▸ Refer to "Note 39 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 39 Significant subsidiaries and equity method investments

### Significant subsidiaries

| Equity interest in % | Company name | Domicile | Currency | Nominal capital in million |
|---|---|---|---|---|
| **as of December 31, 2015** | | | | |
| | **Credit Suisse AG** | | | |
| 100 | AJP Cayman Ltd. | George Town, Cayman Islands | JPY | 8,025.6 |
| 100 | Asset Management Finance LLC | Wilmington, United States | USD | 341.8 |
| 100 | Banco Credit Suisse (Brasil) S.A. | São Paulo, Brazil | BRL | 53.6 |
| 100 | Banco Credit Suisse (México), S.A. | Mexico City, Mexico | MXN | 1,716.7 |
| 100 | Banco de Investimentos Credit Suisse (Brasil) S.A. | São Paulo, Brazil | BRL | 164.8 |
| 100 | Boston Re Ltd. | Hamilton, Bermuda | USD | 2.0 |
| 100 | CJSC Bank Credit Suisse (Moscow) | Moscow, Russia | USD | 37.8 |
| 100 | Column Financial, Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse (Australia) Limited | Sydney, Australia | AUD | 34.1 |
| 100 | Credit Suisse (Brasil) Distribuidora de Titulos e Valores Mobiliários S.A. | São Paulo, Brazil | BRL | 5.0 |
| 100 | Credit Suisse (Brasil) S.A. Corretora de Titulos e Valores Mobiliários | São Paulo, Brazil | BRL | 98.4 |
| 100 | Credit Suisse (Cayman) Management Limited | George Town, Cayman Islands | USD | 0.0 |
| 100 | Credit Suisse (Channel Islands) Limited | St. Peter Port, Guernsey | USD | 6.1 |
| 100 | Credit Suisse (Deutschland) Aktiengesellschaft | Frankfurt, Germany | EUR | 130.0 |
| 100 | Credit Suisse (Gibraltar) Limited | Gibraltar, Gibraltar | GBP | 5.0 |
| 100 | Credit Suisse (Hong Kong) Limited | Hong Kong, China | HKD | 13,758.0 |
| 100 | Credit Suisse (Italy) S.p.A. | Milan, Italy | EUR | 139.6 |
| 100 | Credit Suisse (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 230.9 |
| 100 | Credit Suisse (Monaco) S.A.M. | Monte Carlo, Monaco | EUR | 18.0 |
| 100 | Credit Suisse (Poland) Sp. z o.o | Warsaw, Poland | PLN | 20.0 |
| 100 | Credit Suisse (Qatar) LLC | Doha, Qatar | USD | 29.0 |
| 100 | Credit Suisse (Singapore) Limited | Singapore, Singapore | SGD | 743.3 |
| 100 | Credit Suisse (UK) Limited | London, United Kingdom | GBP | 245.2 |
| 100 | Credit Suisse (USA), Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Asset Management (UK) Holding Limited | London, United Kingdom | GBP | 144.2 |
| 100 | Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft GmbH | Frankfurt, Germany | EUR | 6.1 |
| 100 | Credit Suisse Asset Management International Holding Ltd | Zurich, Switzerland | CHF | 20.0 |
| 100 | Credit Suisse Asset Management Investments Ltd | Zurich, Switzerland | CHF | 0.1 |
| 100 | Credit Suisse Asset Management Limited | London, United Kingdom | GBP | 45.0 |
| 100 | Credit Suisse Asset Management, LLC | Wilmington, United States | USD | 1,086.8 |
| 100 | Credit Suisse Atlas I Investments (Luxembourg) S.à.r.l. | Luxembourg, Luxembourg | USD | 0.0 |
| 100 | Credit Suisse Business Analytics (India) Private Limited | Mumbai, India | INR | 40.0 |
| 100 | Credit Suisse Capital LLC | Wilmington, United States | USD | 937.6 |

## Significant subsidiaries (continued)

| Equity interest in % | Company name | Domicile | Currency | Nominal capital in million |
|---|---|---|---|---|
| 100 | Credit Suisse Energy LLC | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Equities (Australia) Limited | Sydney, Australia | AUD | 62.5 |
| 100 | Credit Suisse Finance (India) Private Limited | Mumbai, India | INR | 1,050.1 |
| 100 | Credit Suisse First Boston (Latam Holdings) LLC | George Town, Cayman Islands | USD | 23.8 |
| 100 | Credit Suisse First Boston Finance B.V. | Amsterdam, The Netherlands | EUR | 0.0 |
| 100 | Credit Suisse First Boston Mortgage Capital LLC | Wilmington, United States | USD | 356.6 |
| 100 | Credit Suisse First Boston Next Fund, Inc. | Wilmington, United States | USD | 10.0 |
| 100 | Credit Suisse Fund Management S.A. | Luxembourg, Luxembourg | CHF | 0.3 |
| 100 | Credit Suisse Fund Services (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 1.5 |
| 100 | Credit Suisse Funds AG | Zurich, Switzerland | CHF | 7.0 |
| 100 | Credit Suisse Group Finance (U.S.) Inc. | Wilmington, United States | USD | 100.0 |
| 100 | Credit Suisse Hedging-Griffo Corretora de Valores S.A. | São Paulo, Brazil | BRL | 29.6 |
| 100 | Credit Suisse Holding Europe (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 32.6 |
| 100 | Credit Suisse Holdings (Australia) Limited | Sydney, Australia | AUD | 42.0 |
| 100 [1] | Credit Suisse Holdings (USA), Inc. | Wilmington, United States | USD | 4,184.7 |
| 100 | Credit Suisse Istanbul Menkul Degerler A.S. | Istanbul, Turkey | TRY | 6.8 |
| 100 | Credit Suisse Leasing 92A, L.P. | New York, United States | USD | 43.9 |
| 100 | Credit Suisse Life & Pensions AG | Vaduz, Liechtenstein | CHF | 15.0 |
| 100 | Credit Suisse Life (Bermuda) Ltd. | Hamilton, Bermuda | USD | 1.0 |
| 100 | Credit Suisse Loan Funding LLC | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Management LLC | Wilmington, United States | USD | 896.8 |
| 100 | Credit Suisse Prime Securities Services (USA) LLC | Wilmington, United States | USD | 263.3 |
| 100 | Credit Suisse Principal Investments Limited | George Town, Cayman Islands | JPY | 3,324.0 |
| 100 | Credit Suisse Private Equity, LLC | Wilmington, United States | USD | 42.2 |
| 100 | Credit Suisse PSL GmbH | Zurich, Switzerland | CHF | 0.0 |
| 100 | Credit Suisse Securities (Canada), Inc. | Toronto, Canada | CAD | 3.4 |
| 100 | Credit Suisse Securities (Europe) Limited | London, United Kingdom | USD | 3,859.3 |
| 100 | Credit Suisse Securities (Hong Kong) Limited | Hong Kong, China | HKD | 2,080.9 |
| 100 | Credit Suisse Securities (India) Private Limited | Mumbai, India | INR | 2,214.7 |
| 100 | Credit Suisse Securities (Japan) Limited | Tokyo, Japan | JPY | 78,100.0 |
| 100 | Credit Suisse Securities (Johannesburg) Proprietary Limited | Johannesburg, South Africa | ZAR | 0.0 |
| 100 | Credit Suisse Securities (Malaysia) Sdn. Bhd. | Kuala Lumpur, Malaysia | MYR | 100.0 |
| 100 | Credit Suisse Securities (Moscow) | Moscow, Russia | RUB | 97.1 |
| 100 | Credit Suisse Securities (Singapore) Pte Limited | Singapore, Singapore | SGD | 30.0 |
| 100 | Credit Suisse Securities (Thailand) Limited | Bangkok, Thailand | THB | 500.0 |
| 100 | Credit Suisse Securities (USA) LLC | Wilmington, United States | USD | 1,881.7 |
| 100 | Credit Suisse Services (India) Private Limited | Pune, India | INR | 0.1 |
| 100 | CSAM Americas Holding Corp. | Wilmington, United States | USD | 0.0 |
| 100 | CS Non-Traditional Products Ltd. | Nassau, Bahamas | USD | 0.1 |
| 100 | DLJ Merchant Banking Funding, Inc | Wilmington, United States | USD | 0.0 |
| 100 | DLJ Mortgage Capital, Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Merban Equity AG | Zug, Switzerland | CHF | 0.1 |
| 100 | Merchant Holding, Inc | Wilmington, United States | USD | 0.0 |
| 100 | SPS Holding Corporation | Wilmington, United States | USD | 0.1 |
| 99 | PT Credit Suisse Securities Indonesia | Jakarta, Indonesia | IDR | 235,000.0 |
| 98 | Credit Suisse Hypotheken AG | Zurich, Switzerland | CHF | 0.1 |
| 98 [2] | Credit Suisse International | London, United Kingdom | USD | 12,366.1 |
| 71 | Credit Suisse Saudi Arabia | Riyadh, Saudi Arabia | SAR | 300.0 |

[1] 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch.
[2] Remaining 2% held directly by Credit Suisse Group AG. 80% of voting rights and 98% of equity interest held by Credit Suisse AG.

### Significant equity method investments

| Equity interest in % | Company name | Domicile |
|---|---|---|
| **as of December 31, 2015** | | |
| | **Credit Suisse AG** | |
| 33 | Credit Suisse Founder Securities Limited | Beijing, China |
| 23 | E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd | Melbourne, Australia |
| 20 | ICBC Credit Suisse Asset Management Co., Ltd. | Beijing, China |
| 5 [1] | York Capital Management Global Advisors, LLC | New York, United States |
| 0 [1] | Holding Verde Empreendimentos e Participações S.A. | São Paulo, Brazil |

[1] The Bank holds a significant noncontrolling interest.

## 40 Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)

▸ Refer to "Note 43 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)" in V – Consolidated financial statements – Credit Suisse Group for further information.

# Controls and procedures

## EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Bank has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report under the supervision and with the participation of management, including the Bank Chief Executive Officer (CEO) and Chief Financial Officer (CFO), pursuant to Rule 13(a)-15(a) under the Securities Exchange Act of 1934 (the Exchange Act). There are inherent limitations to the effectiveness of any system of controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their control objectives.

The CEO and CFO concluded that, as of December 31, 2015, the design and operation of the Bank's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required.

## MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Bank is responsible for establishing and maintaining adequate internal control over financial reporting. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has made an evaluation and assessment of the Bank's internal control over financial reporting as of December 31, 2015 using the criteria issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework".

Based upon its review and evaluation, management, including the Bank CEO and CFO, has concluded that the Bank's internal control over financial reporting is effective as of December 31, 2015.

The Bank's independent auditors, KPMG AG, have issued an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of December 31, 2015, as stated in their report, which follows.

## CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Bank's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

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Report of the Independent Registered Public Accounting Firm

**Credit Suisse AG, Zurich**

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We have audited Credit Suisse AG and subsidiaries' (the "Bank") internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Bank's Board of Directors and management are responsible for maintaining effective internal control over financial reporting and the Bank's management is responsible for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Swiss Auditing Standards, the consolidated balance sheets of the Bank as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes thereto, for each of the years in the three-year period ended December 31, 2015, and our report dated March 24, 2016 expressed an unqualified opinion on those consolidated financial statements.

KPMG AG

Simon Ryder
*Licensed Audit Expert*
*Auditor in Charge*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
March 24, 2016

# 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.

KPMG

**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

Simon Ryder
*Licensed Audit Expert*
*Auditor in Charge*

Ralph Dicht
*Licensed Audit Expert*
*Auditor in Charge*

Zurich, Switzerland
March 24, 2016

# Parent company financial statements

## Statements of income

| | Reference to notes | | in |
|---|---|---|---|
| | | **2015** | 2014 |
| **Statements of income (CHF million)** | | | |
| 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) |
| **Gross income from interest activities** | | **4,882** | **4,100** |
| (Increase)/release of allowance for default risks and losses from interest activities | | (463) | (213) |
| **Net income from interest activities** | 4 | **4,419** | **3,887** |
| 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) |
| **Net income from commission and service activities** | | **4,904** | **5,057** |
| **Net income/(loss) from trading activities and fair value option** | 5 | **346** | **1,135** |
| 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) |
| **Net income from other ordinary activities** | | **791** | **486** |
| Personnel expenses | 6 | 4,199 | 4,187 |
| General and administrative expenses | 7 | 3,098 | 2,538 |
| **Total operating expenses** | | **7,297** | **6,725** |
| 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 |
| **Operating loss** | | **(2,699)** | **(2,425)** |
| Extraordinary income | 8 | 443 | 492 |
| Extraordinary expenses | 8 | (24) | (251) |
| Taxes | 9 | (597) | (908) |
| **Net loss** | | **(2,877)** | **(3,092)** |

## Balance sheets

| | Reference to notes | end of 2015 | end of 2014 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| 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 |
| **Total assets** | | **662,010** | **681,660** |
| Total subordinated receivables | | 1,819 | 2,308 |
| of which receivables subject to contractual mandatory conversion and/or cancelation | | 49 | 49 |
| **Liabilities and shareholder's equity (CHF million)** | | | |
| 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 |
| **Total liabilities** | | **618,067** | **640,060** |
| 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) |
| **Total shareholder's equity** | | **43,943** | **41,600** |
| **Total liabilities and shareholder's equity** | | **662,010** | **681,660** |
| Total subordinated liabilities | | 23,995 | 24,410 |
| of which liabilities subject to contractual mandatory conversion and/or cancelation | | 9,219 | 9,225 |

## Off-balance sheet transactions

| end of | 2015 | 2014 |
|---|---|---|
| **Off-balance sheet transactions (CHF million)** | | |
| 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** |
|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | |
| **Balance at beginning of period** | **4,400** | **27,316** | **6,151** | **610** | **6,215** | **(3,092)** | **41,600** |
| Appropriation of net loss | – | – | – | – | (3,092) | 3,092 | – |
| Capital contributions | – | 5,300 [1] | – | – | – | – | 5,300 |
| Dividends and other distributions | – | – | (70) [2] | – | (10) | – | (80) |
| Net loss | – | – | – | – | – | (2,877) | (2,877) |
| **Balance at end of period** | **4,400** | **32,616** [3] | **6,081** | **610** | **3,113** | **(2,877)** | **43,943** |

[1] 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.

[2] 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.

[3] 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 |
|---|---|---|
| **Number of employees (full-time equivalents)** | | |
| Switzerland | 16,100 | 16,100 |
| Abroad | 4,700 | 4,300 |
| **Total** | **20,800** | **20,400** |

### 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*.

## 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 |
|---|---|
| **Liquidity and funding risks:** 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 |
| **Market risk:** 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 |
| **Credit risk:** The risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. | 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 |
| **Operational risk:** The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.<br>**Conduct risk:** 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.<br>**Technology risk:** 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.<br>**Legal, compliance and regulatory risks:** 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. | Risk and control self-assessments, risk and control indicators, internal and external incident data, economic risk capital, stress testing |
| **Reputational risk:** The risk that negative perception by our stakeholders may adversely impact client acquisition and damage our business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.<br>**Fiduciary risk:** The risk of financial loss arising when the Bank or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of our client's assets including from a product-related market, credit, liquidity and operational risk perspective.<br>**Strategic risk:** The risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment. | ▪ A comprehensive assessment for these risk types is performed both periodically and event-driven.<br>▪ 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.<br>▪ The risk management actions include both precautionary activities to manage risk and issue resolution activities to recover from adverse developments. |

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 |
|---|---|---|
| **Negative interest income and expense (CHF million)** | | |
| 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 |
|---|---|---|
| **Net income/(loss) from trading activities and fair value option by risk of underlying instruments (CHF million)** | | |
| Interest rate instruments [1] | 286 | 190 |
| Equity instruments [1] | (303) | 1,984 |
| Foreign exchange | 706 | (390) |
| Precious metals | 42 | (63) |
| Commodities [2] | (84) | (600) |
| Credit instruments | (244) | (29) |
| Other instruments | (57) | 43 |
| **Net income/(loss) from trading activities and fair value option** | **346** | **1,135** |
| 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 |

[1] Includes trading income/(loss) from related fund investments.
[2] 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 |
|---|---|---|
| **Personnel expenses (CHF million)** | | |
| 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 |
| **Personnel expenses** | **4,199** | **4,187** |

## 7 General and administrative expenses

| in | 2015 | 2014 |
|---|---|---|
| **General and administrative expenses (CHF million)** | | |
| 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 [1] | 27 | 23 |
| of which fees for other services | 2 | 1 |
| Other operating expenses | 2,445 | 1,871 |
| **General and administrative expenses** | **3,098** | **2,538** |

[1] 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 |
|---|---|---|
| **Increase/(release) of provisions and other valuation adjustments, and losses (CHF million)** | | |
| Increase/(release) of provisions | 447 [1] | 1,738 [2] |
| Other losses | 14 | 10 |
| **Increase/(release) of provisions and other valuation adjustments, and losses** | **461** | **1,748** |

[1] Primarily related to increases in litigation provisions.
[2] 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 |
|---|---|---|
| **Extraordinary income (CHF million)** | | |
| Gains realized from the disposal of participations | 84 [1] | 68 [2] |
| Gains realized from the disposal of tangible fixed assets [3] | 108 | 424 |
| Other extraordinary income | 251 [4] | 0 |
| **Extraordinary income** | **443** | **492** |
| **Extraordinary expenses (CHF million)** | | |
| Losses realized from the disposal of participations | (24) [5] | (251) [6] |
| **Extraordinary expenses** | **(24)** | **(251)** |

[1] Primarily related to the share buy back of Euroclear and the liquidation of a subsidiary and an investment fund.
[2] Primarily related to the partial sale of the Bank parent company's participations in Euroclear and the liquidation of a subsidiary.
[3] Includes realized gains from the sale of real estate (bank premises).
[4] Reflects the impact from the recognition of intangible assets previously not recorded that have been sold subsequently.
[5] Primarily related to the liquidation of two participations.
[6] 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 |
|---|---|---|
| **Current and deferred income taxes (CHF million, except where indicated)** [1] | | |
| Current income tax (expense)/benefit | (240) | (389) |
| Deferred income tax (expense)/benefit [2] | (201) | (388) |
| **Income tax (expense)/benefit** | **(441)** | **(777)** |
| **Weighted-average tax rate (%)** [3] | **(18)** | **(34)** |
| **Impact from changes in tax loss carry-forwards on current income taxes (CHF million)** | | |
| **Reduction of current income taxes from utilization of tax loss carry-forwards** [4] | **14** | **276** |

[1] Excludes capital taxes and other non-income-based taxes such as UK bank levy expenses and Swiss capital taxes.
[2] 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.
[3] Calculated based on total income taxes and profit/(loss) before income tax.
[4] 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 |
|---|---|---|
| **Assets and liabilities from securities lending and borrowing, repurchase and reverse repurchase agreements (CHF million)** | | |
| **Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements** [1] | **26,659** | **27,545** |
| **Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements** [1] | **13,727** | **8,034** |
| 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 |

[1] Before impact of master netting agreements.

## 11 Collateral and impaired loans

### Collateralization of loans

| | | | Secured [1] | Unsecured | **Total** |
|---|---|---|---|---|---|
| end of | Mortgages | Other collateral | Total | | |
| **2015 (CHF million)** | | | | | |
| 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 |
| **Gross loans** | **116,548** | **106,713** | **223,261** | **135,013** | **358,274** |
| Allowance for loan losses | (81) | (866) | (947) | (358) | (1,305) |
| **Net loans** | **116,467** | **105,847** | **222,314** | **134,655** | **356,969** |
| 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 |
| **2014 (CHF million)** | | | | | |
| 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 |
| **Gross loans** | **116,591** | **96,068** | **212,659** | **125,708** | **338,367** |
| Allowance for loan losses | (78) | (516) | (594) | (396) | (990) |
| **Net loans** | **116,513** | **95,552** | **212,065** | **125,312** | **337,377** |
| 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 |

[1] Includes the market value of collateral up to the amount of the outstanding related loans. For mortgage loans, the market value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Bank parent company's risk management policies and directives, with maximum review periods determined by property type, market liquidity, 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

| | | | Secured [1] | Unsecured | Total |
|---|---|---|---|---|---|
| end of | Mortgages | Other collateral | Total | | |
| **2015 (CHF million)** | | | | | |
| Contingent liabilities | 177 | 18,332 | 18,509 | 163,541 [2] | 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 |
| **Off-balance sheet transactions** | **893** | **74,077** | **74,970** | **227,795** | **302,765** |
| **2014 (CHF million)** | | | | | |
| Contingent liabilities | 185 | 30,772 | 30,957 | 176,082 [2] | 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 |
| **Off-balance sheet transactions** | **688** | **79,575** | **80,263** | **241,348** | **321,611** |

[1] Includes the market value of collateral up to the notional amount of the related off-balance sheet transaction. For mortgage-backed off-balance sheet exposures, the market value of collateral is determined at the time of granting the credit facility and thereafter regularly reviewed according to the Bank parent company's risk management policies and directives, with maximum review periods determined by property type, market liquidity, 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.

[2] A majority of contingent liabilities are related to guarantees issued in favor of Group companies.

## Impaired loans

| end of | Gross amount outstanding | Estimated realizable collateral value [1] | Net amount outstanding | Specific allowance |
|---|---|---|---|---|
| **2015 (CHF million)** | | | | |
| Impaired loans | 2,565 | 1,126 | 1,439 | 922 |
| **2014 (CHF million)** | | | | |
| Impaired loans | 1,556 | 548 | 1,008 | 711 |

[1] 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** |
| **Impaired loans (CHF million)** | | | | | | |
| **Balance at beginning of period** | **1,312** | **244** | **1,556** | **1,243** | **242** | **1,485** |
| 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 |
| **Balance at end of period** | **2,322** | **243** | **2,565** | **1,312** | **244** | **1,556** |

## 12 Trading assets and liabilities and other financial instruments held at fair value

| end of | 2015 | 2014 |
|---|---|---|
| **Trading assets and other financial instruments held at fair value (CHF million)** | | |
| 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 |
| **Trading assets** | **31,710** | **35,841** |
| 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 |
|---|---|---|
| **Trading liabilities and liabilities from other financial instruments held at fair value (CHF million)** | | |
| Debt securities, money market instruments and money market transactions | 717 | 1,013 |
| of which exchange-traded | 504 | 759 |
| Equity securities | 556 | 480 |
| **Trading liabilities** | **1,273** | **1,493** |
| Structured products | 56,002 | 42,512 |
| **Liabilities from other financial instruments held at fair value** | **56,002** | **42,512** |
| **Trading liabilities and liabilities from other financial instruments held at fair value** | **57,275** | **44,005** |
| of which carrying value determined based on a valuation model | 56,770 | 43,246 |

## 13 Derivative financial instruments

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 2015 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative financial instruments (CHF million)** | | | | | | |
| 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 |
| **Interest rate products** | **2,347,350** | **19,748** | **20,439** | **49,175** | **2,224** | **763** |
| Forwards and forward rate agreements | 1,209,492 | 15,879 | 16,029 | 13 | 1 | 1 |
| Swaps [2] | 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 |
| **Foreign exchange products** | **1,716,605** | **27,613** | **27,936** | **133** | **12** | **1** |
| 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 |
| **Precious metal products** | **11,914** | **244** | **212** | **0** | **0** | **0** |
| 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 |
| **Equity/index-related products** | **139,589** | **5,116** | **6,491** | **0** | **0** | **0** |
| 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 |
| **Credit derivatives** | **41,781** | **1,231** | **822** | **0** | **0** | **0** |
| 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 |
| **Other derivative products** [3] | **11,146** | **1,568** | **618** | **0** | **0** | **0** |
| **Derivative financial instruments** [4] | **4,268,385** | **55,520** | **56,518** | **49,308** | **2,236** | **764** |
| of which replacement value determined based on a valuation model | – | 54,821 | 55,729 | – | 2,236 | 764 |

[1] Relates to derivative financial instruments that qualify for hedge accounting.
[2] Including combined interest rate and foreign exchange swaps.
[3] Primarily commodity, energy and emission products.
[4] Before impact of master netting agreements.

## Derivative financial instruments (continued)

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 2014 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative financial instruments (CHF million)** | | | | | | |
| 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 |
| **Interest rate products** | **1,229,914** | **11,855** | **11,877** | **53,136** | **2,632** | **1,068** |
| Forwards and forward rate agreements | 1,722,248 | 29,527 | 30,970 | 101 | 4 | 4 |
| Swaps [2] | 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 |
| **Foreign exchange products** | **2,676,814** | **48,631** | **49,007** | **3,244** | **13** | **535** |
| 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 |
| **Precious metal products** | **17,871** | **325** | **269** | **0** | **0** | **0** |
| 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 |
| **Equity/index-related products** | **165,516** | **5,852** | **6,253** | **0** | **0** | **0** |
| 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 |
| **Credit derivatives** | **40,018** | **1,261** | **944** | **0** | **0** | **0** |
| 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 |
| **Other derivative products [3]** | **11,497** | **1,605** | **1,164** | **0** | **0** | **0** |
| **Derivative financial instruments [4]** | **4,141,630** | **69,529** | **69,514** | **56,380** | **2,645** | **1,603** |
| of which replacement value determined based on a valuation model | – | 69,086 | 68,931 | – | 2,645 | 1,603 |

[1] Relates to derivative financial instruments that qualify for hedge accounting.
[2] Including combined interest rate and foreign exchange swaps.
[3] Primarily commodity, energy and emission products.
[4] Before impact of master netting agreements.

## Positive and negative replacement values before and after consideration of master netting agreements

| end of | **2015** | 2014 |
|---|---|---|
| **Positive and negative replacement values – before consideration of master netting agreements (CHF million)** | | |
| Positive replacement values – trading and hedging | 57,756 | 72,174 |
| Negative replacement values – trading and hedging | 57,282 | 71,117 |
| **Positive and negative replacement values – after consideration of master netting agreements (CHF million)** | | |
| Positive replacement values – trading and hedging [1] | 13,934 | 16,858 |
| Negative replacement values – trading and hedging [1] | 13,271 | 14,197 |

[1] Netting includes counterparty exposure and cash collateral netting.

## Positive replacement values by counterparty type

| end of | 2015 | 2014 |
|---|---|---|
| **Positive replacement values by counterparty type (CHF million)** | | |
| Central clearing counterparties | 561 | 353 |
| Banks and securities dealers | 6,373 | 8,393 |
| Other counterparties | 7,000 | 8,112 |
| **Positive replacement values** | **13,934** | **16,858** |

## Fair value hedges

| in | 2015 | 2014 |
|---|---|---|
| **Gains/(losses) on derivative financial instruments recognized in income (CHF million)** | | |
| Interest rate products | (94) | (143) |
| Foreign exchange products | 0 | 3 |
| **Gains/(losses) on derivative financial instruments recognized in income** | **(94)** | **(140)** |
| **Gains/(losses) on hedged items recognized in income (CHF million)** | | |
| Interest rate products | 76 | 136 |
| Foreign exchange products | 0 | (3) |
| **Gains/(losses) on hedged items recognized in income** | **76** | **133** |
| **Details of fair value hedges (CHF million)** | | |
| 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 |
|---|---|---|
| **Deferred unrealized gains/(losses) on derivative financial instruments related to cash flow hedges (CHF million) [1]** | | |
| **Balance at beginning of period** | **31** | **11** |
| Interest rate products | 21 | 41 |
| Foreign exchange products | (2) | 0 |
| **Gains/(losses) on derivative financial instruments deferred during reporting period** | **19** | **41** |
| Interest rate products [2] | 37 | 21 |
| Foreign exchange products [2] | (2) | 0 |
| **Deferred gains/(losses) on derivative financial instruments reclassified into income** | **35** | **21** |
| **Balance at end of period** | **15** | **31** |
| **Details of cash flow hedges (CHF million)** | | |
| Net gains/(losses) on the ineffective portion [2] | (12) | (1) |

[1] Included in the compensation account within other assets or other liabilities.
[2] Included in net income/(loss) from trading activities and fair value option.

As of December 31, 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 |
| **Financial investments (CHF million)** | | | | |
| 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 [1] | 60 | 65 | 401 | 457 |
| Real estate [2] | 41 | 41 | 45 | 45 |
| Other [3] | 34 | 36 | 22 | 22 |
| **Financial investments** | **2,835** | **2,861** | **3,006** | **3,083** |
| of which securities eligible for repurchase transactions in accordance with liquidity regulations | 0 | – | 0 | – |

[1] Includes participations held in financial investments with at least 10% in capital or voting rights.
[2] Real estate acquired from the lending business (repossessed assets) and classified as held-for-sale is carried at lower of cost and liquidation value.
[3] Includes other non-financial assets acquired from the lending business (repossessed assets) such as commodities, vehicles and other goods.

## 15 Other assets and other liabilities

| end of | 2015 | 2014 |
|---|---|---|
| **Other assets (CHF million)** | | |
| 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 [1] | 362 | 318 |
| **Other assets** | **2,028** | **1,750** |
| **Other liabilities (CHF million)** | | |
| Other | 685 | 576 |
| of which indirect taxes and duties | 166 | 222 |
| of which other [2] | 519 | 354 |
| **Other liabilities** | **685** | **576** |

[1] Includes receiveables from settlement accounts, coupons, internal clearing accounts and other miscellanenous assets.
[2] Includes payables from settlement accounts, accounts payable for goods and services purchased, internal clearing accounts and other miscellanenous liabilities.

## 16 Assets pledged

| end of | 2015 | | 2014 | |
|---|---|---|---|---|
| | Carrying value | Actual liabilities | Carrying value | Actual liabilities |
| **Assets pledged (CHF million) [1]** | | | | |
| 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 |
| **Assets pledged** | **22,210** | **15,696** | **25,405** | **19,463** |

[1] 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

| | Employer contribution reserves – notional | | Amount subject to waiver | | Employer contribution reserves – net [1] | | Increase/(Release) of employer contribution reserves included in personnel expenses | |
|---|---|---|---|---|---|---|---|---|
| end of / in | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| **CHF million** | | | | | | | | |
| Swiss pension plan | 36 | 50 | 0 | 16 | 36 | 34 | (14) | 7 |
| **Total** | **36** | **50** | **0** | **16** | **36** | **34** | **(14)** | **7** |

[1] In line with Swiss GAAP statutory accounting guidance, contributions to the employer contribution reserves are not recorded in the Bank parent company's statutory balance sheet.

### Pension plan economic benefit/(obligation), pension contributions and pension expenses

| | Over/(Under) -funding | | Economic benefit/ (obligation) recorded by Bank parent company [2] | | | Pension contributions | | Pension expenses included in personnel expenses | |
|---|---|---|---|---|---|---|---|---|---|
| end of / in | **2015** | 2014 | **2015** | 2014 | Change | **2015** | 2014 | **2015** | 2014 |
| **CHF million** | | | | | | | | | |
| Swiss pension plan – status overfunded | 1,050 [1] | 1,980 [1] | – | – | – | 382 | 410 | 382 [3] | 410 [4] |
| 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 |
| **Total** | **1,047** | **1,977** | **(3)** | **(3)** | **0** | **396** | **428** | **396** | **428** |

[1] 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.

[2] In line with Swiss GAAP statutory accounting guidance, the Bank parent company's economic benefit from its share in the overfunding of the Swiss pension plan is not recorded in the Bank parent company's statutory balance sheet.

[3] Includes a release of employer contribution reserves of CHF 14 million.

[4] Includes an increase of employer contribution reserves of CHF 7 million.

## 18 Issued structured products

| end of | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Not bifurcated [1] | Bifurcated | | Total | Not bifurcated [1] | Bifurcated | | Total |
| | Liabilities from other financial instruments held at fair value [2] | Value of underlying instrument | Value of derivative [1] | | Liabilities from other financial instruments held at fair value [2] | Value of underlying instrument | Value of derivative [1] | |
| **Carrying value of issued structured products by underlying risk of the embedded derivative (CHF million)** | | | | | | | | |
| **Interest rates** | | | | | | | | |
| 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 |
| **Equity** | | | | | | | | |
| Structured products with own debt | 36,347 | 102 | 1 | 36,450 | 34,864 | 684 | 57 | 35,605 |
| **Foreign exchange** | | | | | | | | |
| 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 |
| **Commodities / precious metals** | | | | | | | | |
| 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 |
| **Credit** | | | | | | | | |
| Structured products with own debt | 4,699 | 0 | 0 | 4,699 | 3,636 | 0 | 0 | 3,636 |
| **Other** [3] | | | | | | | | |
| Structured products with own debt | 673 | 0 | 0 | 673 | 682 | 0 | 0 | 682 |
| **Total** | **56,002** | **1,153** | **(4)** | **57,151** | **42,512** | **1,685** | **54** | **44,251** |

[1] Carried at fair value.
[2] Reflects balance sheet classification.
[3] Includes structured products where the underlying risk relates to hedge funds or other products with multiple underlying risks.

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 |
| **Unsecured senior debt (CHF million)** | | | | | | |
| **Total unsecured senior debt** [1, 2] | 4,890 | 86,846 | **91,736** | 6,721 | 66,999 | **73,720** |
| of which recorded in medium-term notes | | | 759 | | | 1,263 |
| of which recorded in bonds and mortgage-backed bonds | | | 90,977 | | | 72,457 |
| **Unsecured structured notes (CHF million)** | | | | | | |
| **Total unsecured structured notes** | 2,184 | 53,474 | **55,658** | 3,416 | 46,180 | **49,596** |
| 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 |

[1] Includes guaranteed debt instruments.
[2] 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** |
|---|---|---|---|---|---|---|---|---|---|
| **Provisions (CHF million)** | | | | | | | | | |
| Provisions for deferred taxes | 52 | 0 | – | – | 0 | – | 0 | (52) | 0 |
| Provisions for pension benefit obligations | 3 | 0 | 0 | – | 0 | – | 0 | 0 | 3 [1] |
| Provisions for off-balance sheet default risks | 209 | 0 | (38) | (2) | (2) | 0 | 235 | (154) | 248 [2, 3] |
| Provisions for other business risks | 139 | 0 | (112) | 0 | 0 | 0 | 15 | (4) | 38 [2] |
| Restructuring provisions | 0 | 0 | (4) | 0 | 0 | 0 | 27 | 0 | 23 [4] |
| Other provisions | 159 | 0 | (57) | 0 | (1) | 1 | 405 | (23) | 484 [5] |
| **Provisions** | **562** | **0** | **(211)** | **(2)** | **(3)** | **1** | **682** | **(233)** | **796** |
| **Valuation adjustments for default and country risks (CHF million)** | | | | | | | | | |
| **Valuation adjustments for default and country risks** | **1,033** | **(3)** | **(163)** | **3** | **(8)** | **110** | **760** | **(378)** | **1,354** |
| of which valuation adjustments for default risks from impaired receivables | 748 | 0 | (159) | 3 | (7) | 103 | 445 [6] | (166) [6] | 967 |
| of which valuation adjustments for inherent risks | 285 | (3) | (4) | 0 | (1) | 7 | 315 [7] | (212) [7] | 387 |

[1] Discounted at rates of between 2.6% and 8.4%.
[2] Provisions are not discounted due to their short-term nature.
[3] Provisions are mainly related to irrevocable loan commitments and guarantees.
[4] Partially discounted at rates of between 0.01% and 1.34%.
[5] 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%.
[6] 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.
[7] 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) |
| **Share capital** | | | | |
| Registered shares (at CHF 1 par value per share) | 4,399,680,200 | 4,400 [1] | 4,399,680,200 | 4,400 [1] |
| **Share capital** | | **4,400** | | **4,400** |
| **Conversion and reserve capital** [2] | | | | |
| Unlimited conversion capital (at CHF 1 par value per share) [3] | unlimited | unlimited | unlimited | unlimited |
| of which used for capital increases | 0 | 0 | 0 | 0 |
| of which reserved for capital instruments outstanding [4] | 0 | 0 | 0 | 0 |
| Reserve capital (at CHF 1 par value per share) [5] | 4,399,665,200 | 4,400 | 4,399,665,200 | 4,400 |
| of which used for capital increases | 0 | 0 | 0 | 0 |
| of which reserved for planned capital increases | 0 | 0 | 0 | 0 |

[1] The dividend eligible capital equals the total nominal value. As of December 31, 2015 and 2014, the total nominal value of registered shares was CHF 4,399,680,200 and fully paid.
[2] Represents authorized capital.
[3] For information on principal characteristics of unlimited conversion capital, refer to Article 4d in the Articles of Association of Credit Suisse AG.
[4] 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.
[5] 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 (%) |
| **Direct shareholders** | | | | | | |
| Credit Suisse Group AG | 4,400 [1] | 4,400 | 100.00 | 4,400 [1] | 4,400 | 100.00 |
| **Indirect shareholders through Credit Suisse Group AG [2]** | | | | | | |
| Chase Nominees Ltd. [3] | 704 | 704 | 15.99 | 755 | 755 | 17.17 |
| Crescent Holding GmbH | – [4] | – [4] | – [4] | 242 | 242 | 5.51 |

[1] All shares with voting rights.
[2] Pro-forma numbers calculated based on the percentage interest held in Group shares as per the share register of the Group on December 31 of the reporting period. Includes shareholders registered as nominees or ADS depositary bank.
[3] Nominee holdings exceeding 2% are registered with a right to vote only if the nominee confirms that no individual shareholder holds more than 0.5% of the outstanding share capital or if the nominee discloses the identity of any beneficial owner holding more than 0.5% of the outstanding capital.
[4] 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 |
| **Share-based awards** [1] | | | | |
| Employees | 18.9 | 410 | 18.4 | 461 |
| **Share-based awards** | **18.9** | **410** | **18.4** | **461** |

[1] 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 |
|---|---|---|
| **Deferred compensation expense (CHF million)** | | |
| Share awards [1] | 153 | 138 |
| Performance share awards | 82 | 58 |
| Contingent Capital Awards (cash awards) | 63 | 32 |
| Other cash awards | 32 | 37 |
| Discontinued plans [2] | (3) | 36 |
| **Deferred compensation expense** | **327** | **301** |

[1] Includes special share awards.
[2] 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 |
| **Amounts receivable from and/or payable to related parties (CHF million)** | | | | |
| 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 [1] | 34 | 56 | 21 | 58 |

[1] Includes both the governing bodies of the Bank parent company (Credit Suisse AG) and the governing bodies of the Group holding company (Credit Suisse Group AG). Governing bodies include members of the Board of Directors, the Executive Board and the statutory auditors and companies controlled by members of each of these bodies.

### Significant off-balance sheet transactions

As part of the normal course of business, the Bank parent company issues guarantees, loan commitments and enters into other agreements with group companies which are recorded as off-balance sheet transactions by the Bank parent company. As of December 31, 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 | |
|---|---|---|---|---|
| Internal ratings [1] | CHF million [2] | % | CHF million [2] | % |
| **Total assets by internal country rating (CHF million)** | | | | |
| 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% |
| **Total assets** | **662,010** | **100.0%** | **681,660** | **100.0%** |

[1] Internal ratings are calibrated to the long-term issuer credit ratings of Standard & Poor's for the respective sovereigns. Internal country ratings may differ from Standard & Poor's respective country ratings.

[2] Net balance sheet exposure by country rating of risk domicile.

## 26 Fiduciary transactions

| end of | 2015 | 2014 |
|---|---|---|
| **Fiduciary transactions (CHF million)** | | |
| Fiduciary placements with third-party institutions | 4,464 | 4,659 |
| **Fiduciary transactions** | **4,464** | **4,659** |

## 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 |
|---|---|---|
| **Assets under management (CHF billion)** | | |
| 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 |
| **Assets under management (including double counting)** | **1,015.8** | **1,053.0** |
| of which double counting | 35.3 | 35.1 |

## Changes in assets under management

| in | 2015 | 2014 |
|---|---|---|
| **Changes in assets under management (CHF billion)** | | |
| **Assets under management at beginning of period** [1] | **1,053.0** | **956.2** |
| 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 [2] | (4.5) | 36.8 |
| of which foreign exchange | (21.4) | 31.4 |
| Other effects | (47.6) [3] | (0.7) |
| **Assets under management at end of period** [1] | **1,015.8** | **1,053.0** |

[1] Including double counting.
[2] Net of commissions and other expenses and net of interest expenses charged.
[3] 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 |
|---|---|
| **Retained earnings (CHF million)** | |
| Retained earnings carried forward | 3,113 |
| Net loss | (2,877) |
| **Retained earnings available for appropriation** | **236** |
| Dividend | (10) |
| **Retained earnings to be carried forward** | **226** |

# IX

# Additional information

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# Statistical information

## STATISTICAL INFORMATION – GROUP

Set forth below is statistical information for the Group required under the US Securities and Exchange Commission's (SEC) specialized industry guide for bank holding companies – Industry Guide 3. Certain reclassifications have been made to the prior year's statistical information to conform to the current presentation. The tables are based on information in V – Consolidated financial statements – Credit Suisse Group.

### Average balances and interest rates

| in | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average balance | Interest income | Average rate | Average balance | Interest income | Average rate | Average balance | Interest income | Average rate |
| **Assets (CHF million, except where indicated)** | | | | | | | | | |
| Cash and due from banks | | | | | | | | | |
| Switzerland | 274 | 2 | 0.73% | 298 | 4 | 1.34% | 348 | 5 | 1.44% |
| Foreign | 41,493 | 154 | 0.37% | 41,965 | 186 | 0.44% | 37,570 | 185 | 0.49% |
| Interest-bearing deposits with banks | | | | | | | | | |
| Switzerland | 29 | 0 | 0.00% | 21 | 0 | 0.00% | 9 | 0 | 0.00% |
| Foreign | 924 | 12 | 1.30% | 1,460 | 9 | 0.62% | 1,608 | 2 | 0.12% |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions [1] | | | | | | | | | |
| Switzerland | 1,411 | 17 | 1.20% | 1,165 | 13 | 1.12% | 1,958 | 20 | 1.02% |
| Foreign | 148,552 | 2,608 | 1.76% | 167,767 | 2,305 | 1.37% | 173,651 | 2,496 | 1.44% |
| Trading assets | | | | | | | | | |
| Switzerland | 1,357 | 57 | 4.20% | 1,534 | 67 | 4.37% | 1,759 | 106 | 6.03% |
| Foreign | 201,124 | 8,988 | 4.47% | 219,345 | 9,436 | 4.30% | 229,690 | 9,951 | 4.33% |
| Investment securities | | | | | | | | | |
| Switzerland | 669 | 3 | 0.45% | 1,298 | 12 | 0.92% | 1,730 | 18 | 1.04% |
| Foreign | 2,310 | 62 | 2.68% | 1,757 | 26 | 1.48% | 1,509 | 27 | 1.79% |
| Loans | | | | | | | | | |
| Switzerland | 154,628 | 2,690 | 1.74% | 150,794 | 2,852 | 1.89% | 148,356 | 2,808 | 1.89% |
| Foreign | 121,033 | 2,723 | 2.25% | 108,039 | 2,225 | 2.06% | 98,723 | 2,035 | 2.06% |
| Other interest-earning assets | | | | | | | | | |
| Switzerland | 3,019 | 114 | 3.78% | 2,583 | 38 | 1.47% | 2,091 | 50 | 2.39% |
| Foreign | 103,321 | 1,911 | 1.85% | 93,201 | 1,888 | 2.03% | 107,748 | 1,853 | 1.72% |
| **Interest-earning assets** | **780,144** | **19,341** | 2.48% | **791,227** | **19,061** | 2.41% | **806,750** | **19,556** | 2.42% |
| Specific allowance for losses | (4,738) | | | (4,138) | | | (3,365) | | |
| Non-interest-earning assets | 207,181 | | | 179,566 | | | 187,943 | | |
| **Total assets** | **982,587** | | | **966,655** | | | **991,328** | | |
| Percentage of assets attributable to foreign activities | 79.94% | | | 81.13% | | | 81.41% | | |

Average balances and interest rates exclude discontinued operations.

[1] Average balances of central bank funds sold, securities purchased under resale agreements and securities borrowing transactions are reported net in accordance with ASC Topic 210 – Balance sheet, while interest income excludes the impact of ASC Topic 210 – Balance sheet.

## Average balances and interest rates (continued)

| in | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average balance | Interest expense | Average rate | Average balance | Interest expense | Average rate | Average balance | Interest expense | Average rate |
| **Liabilities (CHF million, except where indicated)** | | | | | | | | | |
| Deposits of banks | | | | | | | | | |
| Switzerland | 2,760 | 5 | 0.18% | 1,698 | 3 | 0.18% | 2,081 | 5 | 0.24% |
| Foreign | 23,851 | 79 | 0.33% | 21,913 | 96 | 0.44% | 22,948 | 126 | 0.55% |
| Deposits of non-banks | | | | | | | | | |
| Switzerland | 171,176 | 184 | 0.11% | 169,589 | 351 | 0.21% | 200,659 | 369 | 0.18% |
| Foreign | 179,904 | 617 | 0.34% | 175,317 | 595 | 0.34% | 115,327 | 478 | 0.41% |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions [1] | | | | | | | | | |
| Switzerland | 3,142 | 57 | 1.81% | 2,958 | 50 | 1.69% | 2,893 | 51 | 1.76% |
| Foreign | 71,300 | 1,206 | 1.69% | 84,630 | 993 | 1.17% | 109,583 | 1,104 | 1.01% |
| Trading liabilities | | | | | | | | | |
| Switzerland | 302 | 11 | 3.64% | 361 | 36 | 9.97% | 545 | 94 | 17.25% |
| Foreign | 43,343 | 3,843 | 8.87% | 49,631 | 3,902 | 7.86% | 61,401 | 4,989 | 8.13% |
| Short-term borrowings | | | | | | | | | |
| Switzerland | 650 | 0 | 0.00% | 549 | 0 | 0.00% | 476 | 0 | 0.00% |
| Foreign | 20,346 | 105 | 0.52% | 26,446 | 119 | 0.45% | 21,005 | 132 | 0.63% |
| Long-term debt | | | | | | | | | |
| Switzerland | 27,836 | 707 | 2.54% | 24,891 | 698 | 2.80% | 20,051 | 371 | 1.85% |
| Foreign | 164,049 | 3,077 | 1.88% | 132,122 | 2,912 | 2.20% | 123,153 | 3,491 | 2.83% |
| Other interest-bearing liabilities | | | | | | | | | |
| Switzerland | 1,714 | 18 | 1.05% | 1,194 | 3 | 0.25% | 1,424 | 1 | 0.07% |
| Foreign | 86,240 | 133 | 0.15% | 96,083 | 269 | 0.28% | 111,583 | 230 | 0.21% |
| **Interest-bearing liabilities** | **796,613** | **10,042** | 1.26% | **787,382** | **10,027** | 1.27% | **793,129** | **11,441** | 1.44% |
| Non-interest-bearing liabilities | 140,559 | | | 136,421 | | | 157,445 | | |
| **Total liabilities** | **937,172** | | | **923,803** | | | **950,574** | | |
| Shareholders' equity | 45,415 | | | 42,852 | | | 40,754 | | |
| **Total liabilities and shareholders' equity** | **982,587** | | | **966,655** | | | **991,328** | | |
| Percentage of liabilities attributable to foreign activities | 76.96% | | | 77.30% | | | 75.15% | | |

Average balances and interest rates exclude discontinued operations.

[1] Average balances of central bank funds purchased, securities sold under repurchase agreements and securities lending transactions are reported net in accordance with ASC Topic 210 – Balance sheet, while interest expense excludes the impact of ASC Topic 210 – Balance sheet.

## Net interest income and interest rate spread

| in | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | Net interest income in CHF million | Interest rate spread in % | Net interest income in CHF million | Interest rate spread in % | Net interest income in CHF million | Interest rate spread in % |
| **Net interest income and interest rate spread** | | | | | | |
| Switzerland | 1,901 | 1.30 | 1,845 | 1.30 | 2,116 | 1.50 |
| Foreign | 7,398 | 1.20 | 7,189 | 1.00 | 5,999 | 0.60 |
| **Total net** | **9,299** | **1.20** | **9,034** | **1.10** | **8,115** | **1.00** |

The average rates earned and paid on related assets and liabilities can fluctuate within wide ranges and are influenced by several key factors. The most significant factor is changes in global interest rates. Additional factors include changes in the geographic and product mix of the Group's business, and foreign exchange rate movements between the Swiss franc and the currency of the underlying individual assets and liabilities.

## Selected margin information

| in | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Selected margin information (average rate in %)** | | | |
| Switzerland | 1.18 | 1.17 | 1.35 |
| Foreign | 1.20 | 1.13 | 0.92 |
| **Net interest margin** | **1.19** | **1.14** | **1.01** |

The US Federal Reserve set the target range of the federal funds rate to 0.00% to 0.25% through 2015 and changed the target range at the end of December to 0.00% to 0.50%.

The Swiss National Bank set the three-month Swiss franc London Interbank Offered Rate, which was (0.75)% at the end of December 2015.

The European Central Bank set the fixed rate tenders, which stood at 0.05% at the end of 2015.

The Bank of England set the bank rate at 0.50% in early 2009 and it remained at this level throughout 2015.

## Analysis of changes in net interest income

| in | 2015 vs 2014 | | | 2014 vs 2013 | | |
|---|---|---|---|---|---|---|
| | | Increase/(decrease) due to changes in | | | Increase/(decrease) due to changes in | |
| | Average volume | Average rate | **Net change** | Average volume | Average rate | **Net change** |
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | | | | | | |
| Switzerland | 0 | (2) | (2) | (1) | 0 | (1) |
| Foreign | (2) | (30) | (32) | 22 | (21) | 1 |
| Interest-bearing deposits with banks | | | | | | |
| Switzerland | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign | (3) | 6 | 3 | 0 | 7 | 7 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | | | | | | |
| Switzerland | 3 | 1 | 4 | (8) | 1 | (7) |
| Foreign | (263) | 566 | 303 | (85) | (106) | (191) |
| Trading assets | | | | | | |
| Switzerland | (8) | (2) | (10) | (14) | (25) | (39) |
| Foreign | (784) | 336 | (448) | (448) | (67) | (515) |
| Investment securities | | | | | | |
| Switzerland | (6) | (3) | (9) | (4) | (2) | (6) |
| Foreign | 8 | 28 | 36 | 4 | (5) | (1) |
| Loans | | | | | | |
| Switzerland | 72 | (234) | (162) | 46 | (2) | 44 |
| Foreign | 268 | 230 | 498 | 192 | (2) | 190 |
| Other interest-earning assets | | | | | | |
| Switzerland | 6 | 70 | 76 | 12 | (24) | (12) |
| Foreign | 205 | (182) | 23 | (250) | 285 | 35 |
| **Interest-earning assets** | | | | | | |
| Switzerland | 67 | (170) | (103) | 31 | (52) | (21) |
| Foreign | (571) | 954 | 383 | (565) | 91 | (474) |
| **Change in interest income** | **(504)** | **784** | **280** | **(534)** | **39** | **(495)** |

Average balances and interest rates exclude discontinued operations.

## Analysis of changes in net interest income (continued)

| in | 2015 vs 2014 | | | 2014 vs 2013 | | |
|---|---|---|---|---|---|---|
| | | Increase/(decrease) due to changes in | | | Increase/(decrease) due to changes in | |
| | Average volume | Average rate | **Net change** | Average volume | Average rate | **Net change** |
| **Liabilities (CHF million)** | | | | | | |
| Deposits of banks | | | | | | |
| Switzerland | 2 | 0 | 2 | (1) | (1) | (2) |
| Foreign | 9 | (26) | (17) | (6) | (24) | (30) |
| Deposits of non-banks | | | | | | |
| Switzerland | 3 | (170) | (167) | (56) | 38 | (18) |
| Foreign | 16 | 6 | 22 | 246 | (129) | 117 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | | | | | | |
| Switzerland | 3 | 4 | 7 | 1 | (2) | (1) |
| Foreign | (156) | 369 | 213 | (252) | 141 | (111) |
| Trading liabilities | | | | | | |
| Switzerland | (6) | (19) | (25) | (32) | (26) | (58) |
| Foreign | (494) | 435 | (59) | (957) | (130) | (1,087) |
| Short-term borrowings | | | | | | |
| Switzerland | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign | (27) | 13 | (14) | 34 | (47) | (13) |
| Long-term debt | | | | | | |
| Switzerland | 82 | (73) | 9 | 90 | 237 | 327 |
| Foreign | 702 | (537) | 165 | 254 | (833) | (579) |
| Other interest-bearing liabilities | | | | | | |
| Switzerland | 1 | 14 | 15 | 0 | 2 | 2 |
| Foreign | (28) | (108) | (136) | (33) | 72 | 39 |
| **Interest-bearing liabilities** | | | | | | |
| Switzerland | 85 | (244) | (159) | 2 | 248 | 250 |
| Foreign | 22 | 152 | 174 | (714) | (950) | (1,664) |
| **Change in interest expense** | **107** | **(92)** | **15** | **(712)** | **(702)** | **(1,414)** |
| **Change in interest income** | | | | | | |
| Switzerland | (18) | 74 | 56 | 29 | (300) | (271) |
| Foreign | (593) | 802 | 209 | 149 | 1,041 | 1,190 |
| **Total change in net interest income** | **(611)** | **876** | **265** | **178** | **741** | **919** |

Average balances and interest rates exclude discontinued operations.

## Carrying value of financial investments

| end of | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Carrying value of financial investments (CHF million)** | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 294 | 304 | 402 |
| Debt securities issued by foreign governments | 1,416 | 2,066 | 1,388 |
| Corporate debt securities | 285 | 313 | 606 |
| Residential mortgage-backed securities | 750 | 0 | 0 |
| Commercial mortgage-backed securities | 259 | 0 | 0 |
| Collateralized debt obligations | 0 | 0 | 490 |
| **Total debt securities** | **3,004** | **2,683** | **2,886** |

As of December 31, 2015, no aggregate investment in debt securities of a specific counterparty was in excess of 10% of consolidated shareholders' equity.

## Maturities and weighted-average yields of debt securities included in financial investments

| | Within 1 year | | 1 to 5 years | | 5 to 10 years | | Over 10 years | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| **end of 2015** | Amount in CHF million | Yield in % | Amount in CHF million | Yield in % | Amount in CHF million | Yield in % | Amount in CHF million | Yield in % | Amount in CHF million | Yield in % |
| **Debt securities** | | | | | | | | | | |
| Debt securities issued by the Swiss federal, cantonal or local governmental entities | 30 | 0.82 | 109 | 2.29 | 127 | 1.05 | 7 | 2.00 | 273 | 1.54 |
| Debt securities issued by foreign governments | 61 | 1.51 | 1,301 | 0.74 | 20 | 1.47 | 0 | – | 1,382 | 0.79 |
| Corporate debt securities | 275 | 0.15 | 10 | 7.95 | 0 | – | 0 | – | 285 | 0.41 |
| Residential mortgage-backed securities | 0 | – | 0 | – | 0 | – | 750 | 2.88 | 750 | 2.88 |
| Commercial mortgage-backed securities | 0 | – | 0 | – | 0 | – | 259 | 3.28 | 259 | 3.28 |
| **Total debt securities** | **366** | 0.43 | **1,420** | 0.91 | **147** | 1.12 | **1,016** | 2.97 | **2,949** | 1.57 |

Since substantially all investment securities are taxable securities, the yields presented above are on a tax-equivalent basis.
The values above are based upon amortized cost, whereas certain financial investments are carried at fair value in the consolidated balance sheets.

## Details of the loan portfolio

| end of | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Loan portfolio (CHF million, except where indicated)** | | | | | |
| Mortgages | 99,216 | 95,201 | 92,418 | 89,733 | 86,514 |
| Loans collateralized by securities | 3,988 | 3,899 | 3,403 | 3,935 | 4,205 |
| Consumer finance | 2,874 | 3,241 | 4,397 | 4,502 | 4,598 |
| Consumer | 106,078 | 102,341 | 100,218 | 98,170 | 95,317 |
| Real estate | 23,418 | 25,440 | 24,715 | 23,717 | 21,971 |
| Commercial and industrial loans | 22,344 | 22,928 | 21,964 | 24,505 | 24,032 |
| Financial institutions | 3,100 | 4,041 | 4,016 | 3,718 | 4,306 |
| Governments and public institutions | 831 | 1,017 | 1,079 | 1,116 | 1,111 |
| Corporate & institutional | 49,693 | 53,426 | 51,774 | 53,056 | 51,420 |
| **Switzerland** | **155,771** | **155,767** | **151,992** | **151,226** | **146,737** |
| Mortgages | 3,948 | 3,601 | 2,560 | 2,139 | 1,741 |
| Loans collateralized by securities | 33,958 | 35,919 | 28,162 | 23,428 | 22,256 |
| Consumer finance | 892 | 1,082 | 1,541 | 2,399 | 2,097 |
| Consumer | 38,798 | 40,602 | 32,263 | 27,966 | 26,094 |
| Real estate | 3,033 | 3,758 | 2,597 | 2,084 | 1,951 |
| Commercial and industrial loans | 55,423 | 52,118 | 41,370 | 38,523 | 36,182 |
| Financial institutions | 18,234 | 18,302 | 17,824 | 22,184 | 22,406 |
| Governments and public institutions | 2,747 | 2,874 | 1,968 | 1,221 | 987 |
| Corporate & institutional | 79,437 | 77,052 | 63,759 | 64,012 | 61,526 |
| **Foreign** | **118,235** | **117,654** | **96,022** | **91,978** | **87,620** |
| **Gross loans** | **274,006** | **273,421** | **248,014** | **243,204** | **234,357** |
| of which held at amortized cost | 253,186 | 250,508 | 228,557 | 223,204 | 213,663 |
| of which held at fair value | 20,820 | 22,913 | 19,457 | 20,000 | 20,694 |
| Net (unearned income)/deferred expenses | (145) | (112) | (91) | (59) | (34) |
| Allowance for loan losses | (866) | (758) | (869) | (922) | (910) |
| **Net loans** | **272,995** | **272,551** | **247,054** | **242,223** | **233,413** |
| Percentage of allowance for loan losses [1] | 0.3% | 0.3% | 0.4% | 0.4% | 0.4% |

[1] Calculated based on net loans which are not carried at fair value.

## Loan portfolio by industry

| end of | 2015 | 2014 |
|---|---|---|
| **Loan portfolio by industry (CHF million)** | | |
| Banks | 3,016 | 3,901 |
| Other financial services | 18,318 | 18,442 |
| Real estate companies | 26,451 | 29,198 |
| Other services | 26,565 | 24,765 |
| Manufacturing | 10,052 | 9,226 |
| Wholesale and retail trade | 9,033 | 9,395 |
| Construction | 2,932 | 2,996 |
| Transportation | 18,985 | 17,433 |
| Health and social services | 2,519 | 2,501 |
| Hotels and restaurants | 1,649 | 1,633 |
| Agriculture and mining | 5,063 | 6,137 |
| Telecommunications | 434 | 409 |
| Governments, public institutions and non-profit organizations | 4,113 | 4,442 |
| Corporate & institutional | 129,130 | 130,478 |
| Consumer | 144,876 | 142,943 |
| **Gross loans** | **274,006** | **273,421** |
| Net (unearned income)/deferred expenses | (145) | (112) |
| Allowance for loan losses | (866) | (758) |
| **Net loans** | **272,995** | **272,551** |

## Details of the loan portfolio by time remaining until contractual maturity by category

| end of 2015 | 1 year or less | 1 year to 5 years | After 5 years | Loans with no stated maturity [1] | Self-amortizing loans [2] | Total |
|---|---|---|---|---|---|---|
| **Loan portfolio (CHF million)** | | | | | | |
| Mortgages | 28,327 | 43,643 | 26,191 | 1,055 | 0 | 99,216 |
| Loans collateralized by securities | 3,148 | 650 | 190 | 0 | 0 | 3,988 |
| Consumer finance | 1,087 | 1,733 | 54 | 0 | 0 | 2,874 |
| Consumer | 32,562 | 46,026 | 26,435 | 1,055 | 0 | 106,078 |
| Real estate | 13,288 | 6,006 | 3,972 | 103 | 49 | 23,418 |
| Commercial and industrial loans | 13,895 | 4,175 | 2,159 | 114 | 2,001 | 22,344 |
| Financial institutions | 1,688 | 352 | 320 | 4 | 736 | 3,100 |
| Governments and public institutions | 483 | 160 | 175 | 5 | 8 | 831 |
| Corporate & institutional | 29,354 | 10,693 | 6,626 | 226 | 2,794 | 49,693 |
| **Switzerland** | **61,916** | **56,719** | **33,061** | **1,281** | **2,794** | **155,771** |
| Mortgages | 1,762 | 2,070 | 56 | 14 | 46 | 3,948 |
| Loans collateralized by securities | 30,161 | 2,674 | 1,123 | 0 | 0 | 33,958 |
| Consumer finance | 736 | 93 | 63 | 0 | 0 | 892 |
| Consumer | 32,659 | 4,837 | 1,242 | 14 | 46 | 38,798 |
| Real estate | 1,880 | 1,011 | 22 | 0 | 120 | 3,033 |
| Commercial and industrial loans | 27,110 | 14,056 | 9,839 | 213 | 4,205 | 55,423 |
| Financial institutions | 7,015 | 6,388 | 3,684 | 0 | 1,147 | 18,234 |
| Governments and public institutions | 205 | 759 | 443 | 0 | 1,340 | 2,747 |
| Corporate & institutional | 36,210 | 22,214 | 13,988 | 213 | 6,812 | 79,437 |
| **Foreign** | **68,869** | **27,051** | **15,230** | **227** | **6,858** | **118,235** |
| **Gross loans** | **130,785** | **83,770** | **48,291** | **1,508** | **9,652** | **274,006** |
| of which fixed rate | 108,622 | 67,121 | 43,698 | 0 | 2,673 | 222,114 |
| of which variable rate | 22,163 | 16,649 | 4,593 | 1,508 | 6,979 | 51,892 |
| Net (unearned income)/deferred expenses | | | | | | (145) |
| Allowance for loan losses | | | | | | (866) |
| **Net loans** | | | | | | **272,995** |

[1] Loans with no stated maturity include primarily certain loan products within Switzerland without a stated maturity within the original loan agreement.
[2] Self-amortizing loans include loans with monthly or quarterly interest and principal payments and are primarily related to lease financings.

## Non-performing and non-interest-earning loans

| in / end of | 2015 | 2014 | 2013 | 2012 | 2011 | Interest income which would have been recognized 2015 | Interest income which would have been recognized 2014 | Interest income which was recognized 2015 | Interest income which was recognized 2014 |
|---|---|---|---|---|---|---|---|---|---|
| **Non-performing and non-interest-earning loans (CHF million)** | | | | | | | | | |
| Switzerland | 374 | 389 | 378 | 409 | 427 | 15 | 16 | 1 | 1 |
| Foreign | 609 | 364 | 484 | 450 | 331 | 17 | 24 [2] | 2 | 2 |
| **Non-performing loans** [1] | **983** | **753** | **862** | **859** | **758** | **32** | **40** | **3** | **3** |
| Switzerland | 100 | 87 | 109 | 113 | 100 | 7 | 7 | 1 | 2 [2] |
| Foreign | 172 | 192 | 172 | 200 | 162 | 14 | 11 [2] | 0 | 1 [2] |
| **Non-interest-earning loans** [1] | **272** | **279** | **281** | **313** | **262** | **21** | **18** | **1** | **3** |
| **Total non-performing and non-interest-earning loans** | **1,255** | **1,032** | **1,143** | **1,172** | **1,020** | **53** | **58** | **4** | **6** |

[1] Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 19 – Loans, allowance for loan losses and credit quality for a definition of these terms.
[2] Prior period has been corrected.

## Potential problem loans

| end of | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Potential problem loans (CHF million)** | | | | | |
| Switzerland | 120 | 98 | 115 | 181 | 323 |
| Foreign | 316 | 89 | 225 | 346 | 357 |
| **Total potential problem loans** | **436** | **187** | **340** | **527** | **680** |

## Restructured loans

| in / end of | 2015 | 2014 | 2013 | 2012 | 2011 | Interest income which would have been recognized 2015 | Interest income which would have been recognized 2014 | Interest income which was recognized 2015 | Interest income which was recognized 2014 |
|---|---|---|---|---|---|---|---|---|---|
| **Restructured loans (CHF million)** | | | | | | | | | |
| Switzerland | 21 | 4 | 6 | 0 | 4 | 0 | 0 | 0 | 0 |
| Foreign | 261 | 167 | 0 | 30 | 14 | 11 | 3 | 3 | 1 |
| **Total restructured loans** | **282** | **171** | **6** | **30** | **18** | **11** | **3** | **3** | **1** |

## Movements in the allowance for loan losses

| Allowance for loan losses (CHF million, except where indicated) | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Balance at beginning of period** | **758** | **869** | **922** | **910** | **1,017** |
| Allowances acquired/(deconsolidated) | 0 | 0 | (1) | (18) | 0 |
| **Changes in scope of consolidation** | **0** | **0** | **(1)** | **(18)** | **0** |
| Switzerland | 93 | 54 | 50 | 87 | 51 |
| Foreign | 202 | 91 | 116 | 72 | 90 |
| **Net movements recognized in the consolidated statements of operations** | **295** | **145** | **166** | **159** | **141** |
| Mortgages | (3) | (2) | (6) | (7) | (10) |
| Loans collateralized by securities | (3) | (5) | (6) | (2) | (4) |
| Consumer finance | (67) | (88) | (96) | (75) | (79) |
| Consumer | (73) | (95) | (108) | (84) | (93) |
| Real estate | 0 | (3) | (5) | (1) | (9) |
| Commercial and industrial loans | (30) | (46) | (45) | (63) | (45) |
| Financial institutions | (1) | 0 | (1) | (1) | 0 |
| Corporate & institutional | (31) | (49) | (51) | (65) | (54) |
| Switzerland | (104) | (144) | (159) | (149) | (147) |
| Mortgages | (3) | (2) | (2) | (3) | (4) |
| Loans collateralized by securities | (1) | (2) | (2) | (7) | (15) |
| Consumer finance | (41) | (9) | (10) | (11) | (12) |
| Consumer | (45) | (13) | (14) | (21) | (31) |
| Real estate | 0 | 0 | 0 | (1) | 0 |
| Commercial and industrial loans | (58) | (179) | (103) | (14) | (116) |
| Financial institutions | (22) | (13) | (10) | (10) | (5) |
| Governments and public institutions | 0 | 0 | 0 | (6) | 0 |
| Corporate & institutional | (80) | (192) | (113) | (31) | (121) |
| Foreign | (125) | (205) | (127) | (52) | (152) |
| **Gross write-offs** | **(229)** | **(349)** | **(286)** | **(201)** | **(299)** |
| Consumer finance | 11 | 16 | 23 | 21 | 33 |
| Consumer | 11 | 16 | 23 | 21 | 33 |
| Commercial and industrial loans | 0 | 2 | 3 | 12 | 3 |
| Corporate & institutional | 0 | 2 | 3 | 12 | 3 |
| Switzerland | 11 | 18 | 26 | 33 | 36 |
| Consumer finance | 1 | 1 | 1 | 1 | 5 |
| Consumer | 1 | 1 | 1 | 1 | 5 |
| Commercial and industrial loans | 16 | 18 | 27 | 10 | 0 |
| Financial institutions | 0 | 4 | 0 | 0 | 0 |
| Corporate & institutional | 16 | 22 | 27 | 10 | 0 |
| Foreign | 17 | 23 | 28 | 11 | 5 |
| **Recoveries** | **28** | **41** | **54** | **44** | **41** |
| **Net write-offs** | **(201)** | **(308)** | **(232)** | **(157)** | **(258)** |
| Provisions for interest | 18 | 20 | 26 | 29 | 14 |
| Foreign currency translation impact and other adjustments, net | (4) | 32 | (12) | (1) | (4) |
| **Balance at end of period** | **866** | **758** | **869** | **922** | **910** |
| Average loan balance | 275,661 | 258,833 | 247,079 | 238,801 | 225,165 |
| Ratio of net write-offs to average loans | 0.07% | 0.12% | 0.09% | 0.07% | 0.11% |

## Analysis of the allowance for loan losses by Switzerland, foreign and category

| end of | 2015 | | 2014 | | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | CHF million | % of allowance in each category to total loans | CHF million | % of allowance in each category to total loans | CHF million | % of allowance in each category to total loans | CHF million | % of allowance in each category to total loans | CHF million | % of allowance in each category to total loans |
| **Analysis of the allowance for loan losses** | | | | | | | | | | |
| Mortgages | 42 | 0.0% | 44 | 0.0% | 47 | 0.0% | 48 | 0.0% | 54 | 0.0% |
| Loans collateralized by securities | 2 | 0.0% | 2 | 0.0% | 2 | 0.0% | 3 | 0.0% | 11 | 0.0% |
| Consumer finance | 97 | 0.0% | 110 | 0.0% | 122 | 0.0% | 131 | 0.1% | 107 | 0.0% |
| Consumer | 141 | 0.1% | 156 | 0.1% | 171 | 0.1% | 182 | 0.1% | 172 | 0.1% |
| Real estate | 52 | 0.0% | 49 | 0.0% | 60 | 0.0% | 69 | 0.0% | 63 | 0.0% |
| Commercial and industrial loans | 169 | 0.1% | 139 | 0.1% | 166 | 0.1% | 200 | 0.1% | 230 | 0.1% |
| Financial institutions | 3 | 0.0% | 0 | 0.0% | 1 | 0.0% | 2 | 0.0% | 2 | 0.0% |
| Corporate & institutional | 224 | 0.1% | 188 | 0.1% | 227 | 0.1% | 271 | 0.1% | 295 | 0.1% |
| **Switzerland** | **365** | **0.1%** | **344** | **0.1%** | **398** | **0.2%** | **453** | **0.2%** | **467** | **0.2%** |
| Mortgages | 10 | 0.0% | 10 | 0.0% | 9 | 0.0% | 12 | 0.0% | 14 | 0.0% |
| Loans collateralized by securities | 12 | 0.0% | 51 | 0.0% | 52 | 0.0% | 50 | 0.0% | 38 | 0.0% |
| Consumer finance | 52 | 0.0% | 34 | 0.0% | 35 | 0.0% | 44 | 0.0% | 65 | 0.0% |
| Consumer | 74 | 0.0% | 95 | 0.0% | 96 | 0.0% | 106 | 0.0% | 117 | 0.1% |
| Real estate | 5 | 0.0% | 5 | 0.0% | 5 | 0.0% | 5 | 0.0% | 8 | 0.0% |
| Commercial and industrial loans | 326 | 0.1% | 224 | 0.1% | 277 | 0.1% | 242 | 0.1% | 215 | 0.1% |
| Financial institutions | 96 | 0.0% | 90 | 0.0% | 93 | 0.0% | 116 | 0.1% | 97 | 0.0% |
| Governments and public institutions | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 6 | 0.0% |
| Corporate & institutional | 427 | 0.2% | 319 | 0.1% | 375 | 0.2% | 363 | 0.2% | 326 | 0.1% |
| **Foreign** | **501** | **0.2%** | **414** | **0.2%** | **471** | **0.2%** | **469** | **0.2%** | **443** | **0.2%** |
| **Total allowance for loan losses** | **866** | **0.3%** | **758** | **0.3%** | **869** | **0.4%** | **922** | **0.4%** | **910** | **0.4%** |
| of which on principal | 800 | 0.3% | 686 | 0.3% | 778 | 0.3% | 842 | 0.4% | 837 | 0.4% |
| of which on interest | 66 | 0.0% | 72 | 0.0% | 91 | 0.0% | 80 | 0.0% | 73 | 0.0% |

Percentages may not add up due to rounding.

## Gross write-offs of loans by industry

| in | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Gross write-offs of loans (CHF million)** | | | | | |
| Banks | 0 | 0 | 0 | 0 | 5 |
| Other financial services | 24 | 14 | 11 | 11 | 1 |
| Real estate companies | 0 | 3 | 5 | 2 | 9 |
| Other services | 2 | 10 | 18 | 15 | 12 |
| Manufacturing | 8 | 112 | 17 | 30 | 63 |
| Wholesale and retail trade | 15 | 9 | 9 | 13 | 25 |
| Construction | 3 | 0 | 6 | 4 | 11 |
| Transportation | 35 | 62 | 57 | 8 | 4 |
| Health and social services | 0 | 1 | 3 | 1 | 0 |
| Hotels and restaurants | 3 | 0 | 1 | 4 | 3 |
| Agriculture and mining | 21 | 30 | 35 | 0 | 42 |
| Telecommunications | 0 | 0 | 1 | 1 | 0 |
| Governments, public institutions and non-profit organizations | 0 | 0 | 0 | 7 | 0 |
| Corporate & institutional | 111 | 241 | 163 | 96 | 175 |
| Consumer | 118 | 108 | 123 | 105 | 124 |
| **Total gross write-offs** | **229** | **349** | **286** | **201** | **299** |

## Cross-border outstandings

| end of | Banks | Private | Public | **Subtotal** | Net local country assets over liabilities | Commit-ments | **Total** |
|---|---|---|---|---|---|---|---|
| **2015 (CHF million)** | | | | | | | |
| United States | 3,139 | 30,769 | 11,161 | 45,069 | 87,418 | 93,938 | 226,425 |
| Cayman Islands | 272 | 22,634 | 1 | 22,907 | 0 | 2,294 | 25,201 |
| United Kingdom | 4,137 | 12,323 | 193 | 16,653 | 0 | 7,093 | 23,746 |
| Luxembourg | 4,813 | 9,585 | 1,559 | 15,957 | 0 | 5,530 | 21,487 |
| France | 2,709 | 7,672 | 6,351 | 16,732 | 97 | 2,101 | 18,930 |
| Germany | 1,922 | 7,293 | 3,949 | 13,164 | 0 | 3,419 | 16,583 |
| Hong Kong | 260 | 3,283 | 2 | 3,545 | 9,200 | 837 | 13,582 |
| The Netherlands | 876 | 7,859 | 470 | 9,205 | 0 | 3,730 | 12,935 |
| Virgin Islands (Br.) | 38 | 8,875 | 0 | 8,913 | 0 | 563 | 9,476 |
| Canada | 945 | 3,498 | 269 | 4,712 | 803 | 2,823 | 8,338 |
| Japan | 694 | 5,502 | 2,090 | 8,286 | 0 | 19 | 8,305 |
| Italy | 881 | 2,350 | 3,944 | 7,175 | 0 | 1,050 | 8,225 |
| Ireland | 1,530 | 5,411 | 64 | 7,005 | 0 | 1,197 | 8,202 |
| South Korea | 96 | 4,276 | 469 | 4,841 | 1,768 | 132 | 6,741 |
| Brazil | 302 | 1,133 | 373 | 1,808 | 4,582 | 236 | 6,626 |
| India | 910 | 3,753 | 256 | 4,919 | 1,341 | 187 | 6,447 |
| **2014 (CHF million)** | | | | | | | |
| United States | 5,351 | 31,255 | 12,710 | 49,316 | 97,090 | 86,041 | 232,447 |
| Cayman Islands | 975 | 25,911 | 0 | 26,886 | 0 | 895 | 27,781 |
| France | 3,722 | 9,276 | 5,509 | 18,507 | 283 | 4,994 | 23,784 |
| Luxembourg | 4,370 | 11,999 | 3,244 | 19,613 | 0 | 3,342 | 22,955 |
| United Kingdom | 4,440 | 11,526 | 228 | 16,194 | 0 | 6,580 | 22,774 |
| Germany | 2,339 | 8,603 | 6,154 | 17,096 | 0 | 3,617 | 20,713 |
| Hong Kong | 638 | 3,072 | 23 | 3,733 | 10,174 | 880 | 14,787 |
| The Netherlands | 2,361 | 6,697 | 1,276 | 10,334 | 0 | 2,224 | 12,558 |
| Japan | 1,791 | 3,671 | 1,102 | 6,564 | 2,056 | 3,226 | 11,846 |
| Italy | 358 | 4,135 | 5,464 | 9,957 | 0 | 1,286 | 11,243 |
| Canada | 2,656 | 3,983 | 635 | 7,274 | 1,121 | 1,943 | 10,338 |
| Ireland | 1,942 | 6,299 | 4 | 8,245 | 2 | 1,245 | 9,492 |
| Brazil | 614 | 2,316 | 1,192 | 4,122 | 4,847 | 309 | 9,278 |
| Virgin Islands (Br.) | 111 | 8,011 | 0 | 8,122 | 0 | 709 | 8,831 |
| Singapore | 397 | 4,222 | 81 | 4,700 | 1,553 | 1,050 | 7,303 |
| South Korea | 459 | 3,713 | 328 | 4,500 | 2,515 | 142 | 7,157 |
| India | 1,269 | 4,797 | 213 | 6,279 | 512 | 84 | 6,875 |
| **2013 (CHF million)** | | | | | | | |
| United States | 5,373 | 36,815 | 9,898 | 52,086 | 68,444 | 67,393 | 187,923 |
| France | 4,048 | 6,331 | 6,187 | 16,566 | 636 | 13,992 | 31,194 |
| Germany | 4,226 | 10,870 | 8,528 | 23,624 | 0 | 6,213 | 29,837 |
| United Kingdom | 7,181 | 7,777 | 280 | 15,238 | 0 | 13,238 | 28,476 |
| Japan | 1,703 | 5,907 | 829 | 8,439 | 6,908 | 4,178 | 19,525 |
| Luxembourg | 3,659 | 11,035 | 3,545 | 18,239 | 0 | 1,280 | 19,519 |
| Cayman Islands | 627 | 16,078 | 0 | 16,705 | 0 | 1,267 | 17,972 |
| The Netherlands | 1,721 | 5,990 | 1,580 | 9,291 | 0 | 2,902 | 12,193 |
| Italy | 790 | 2,783 | 6,811 | 10,384 | 0 | 1,402 | 11,786 |
| Canada | 3,263 | 3,268 | 779 | 7,310 | 976 | 1,790 | 10,076 |
| Brazil | 916 | 3,143 | 1,630 | 5,689 | 4,035 | 330 | 10,054 |
| Hong Kong | 510 | 3,330 | 1 | 3,841 | 4,305 | 592 | 8,738 |
| Australia | 1,314 | 1,630 | 62 | 3,006 | 3,675 | 1,382 | 8,063 |
| Spain | 2,449 | 2,923 | 1,002 | 6,374 | 341 | 1,250 | 7,965 |
| Ireland | 1,508 | 4,581 | 3 | 6,092 | 13 | 1,423 | 7,528 |
| Mexico | 578 | 2,445 | 2,287 | 5,310 | 1,382 | 161 | 6,853 |
| South Korea | 468 | 3,509 | 889 | 4,866 | 1,465 | 231 | 6,562 |

Cross-border outstandings represent net claims against non-local country counterparties for countries where the aggregate amount outstanding to borrowers exceeds 0.75% of total assets. Monetary assets are loans (including accrued interest), acceptances, interest-bearing deposits with other banks, other interest-bearing investments and any other monetary asset with a fixed exchange value for cash. To the extent local currency outstandings are hedged or funded by local currency borrowings, such amounts are excluded from cross-border outstandings.

## Deposits in Switzerland and foreign offices

| in | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average balance | Interest expense | Average rate | Average balance | Interest expense | Average rate | Average balance | Interest expense | Average rate |
| **Deposits (CHF million, except where indicated)** | | | | | | | | | |
| Non-interest-bearing demand | 4,009 | – | – | 5,098 | – | – | 6,441 | – | – |
| Interest-bearing demand | 128,739 | (30) | 0.0% | 136,970 | 85 | 0.1% | 137,499 | 117 | 0.1% |
| Savings deposits | 82,194 | 161 | 0.2% | 71,845 | 257 | 0.4% | 62,067 | 236 | 0.4% |
| Time deposits | 17,666 | 53 | 0.3% | 13,536 | 61 | 0.5% | 12,490 | 62 | 0.5% |
| **Switzerland** | **232,608** | **184** | **0.1%** | **227,449** | **403** | **0.2%** | **218,497** | **415** | **0.2%** |
| Non-interest-bearing demand | 4,265 | – | – | 4,562 | – | – | 4,723 | – | – |
| Interest-bearing demand | 33,439 | 37 | 0.1% | 29,085 | 27 | 0.1% | 26,231 | 30 | 0.1% |
| Savings deposits | 19 | 0 | 0.0% | 30 | 0 | 0.0% | 32 | 0 | 0.0% |
| Time deposits | 115,634 | 664 | 0.6% | 117,051 | 615 | 0.5% | 102,696 | 533 | 0.5% |
| **Foreign** | **153,357** | **701** | **0.5%** | **150,728** | **642** | **0.4%** | **133,682** | **563** | **0.4%** |
| **Total deposits** | **385,965** | **885** | **0.2%** | **378,177** | **1,045** | **0.3%** | **352,179** | **978** | **0.3%** |

Deposits by foreign depositors in Swiss offices amounted to CHF 68.6 billion, CHF 73.3 billion and CHF 69.5 billion as of December 31, 2015, 2014 and 2013, respectively.

## Aggregate of individual time deposits in Switzerland and foreign offices

| in 2015 | Switzerland | Foreign | Total |
|---|---|---|---|
| **Time deposits (CHF million)** | | | |
| 3 months or less | – | 18,318 | 18,318 |
| Over 3 through 6 months | – | 9,716 | 9,716 |
| Over 6 through 12 months | – | 8,915 | 8,915 |
| Over 12 months | – | 249 | 249 |
| **Certificates of deposit** | **–** | **37,198** | **37,198** |
| 3 months or less | 29,924 | 51,576 | 81,500 |
| Over 3 through 6 months | 847 | 5,407 | 6,254 |
| Over 6 through 12 months | 951 | 3,387 | 4,338 |
| Over 12 months | 488 | 3,445 | 3,933 |
| **Other time deposits** | **32,210** | **63,815** | **96,025** |
| **Total time deposits** | **32,210** | **101,013** | **133,223** |

Balances shown are the Swiss franc equivalent of amounts greater than USD 100,000 together with their remaining maturities.

## Selected information on short-term borrowings

| in | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions (CHF million)** | | | |
| Outstanding as of December 31 | 46,598 | 70,119 | 94,032 |
| Maximum amount outstanding at any month-end during the year | 98,790 | 92,764 | 150,092 |
| Approximate average amount outstanding during the year | 74,441 | 87,589 | 112,475 |
| Interest expense for the year ended December 31 | 1,264 | 1,042 | 1,156 |
| Approximate weighted-average interest rate during the year | 1.7% | 1.2% | 1.0% |
| Approximate weighted-average interest rate at year-end | 0.5% | 0.6% | 0.6% |
| **Commercial paper (CHF million)** | | | |
| Outstanding as of December 31 | 4,667 | 15,567 | 12,095 |
| Maximum amount outstanding at any month-end during the year | 17,514 | 20,862 | 16,967 |
| Approximate average amount outstanding during the year | 11,952 | 17,551 | 14,555 |
| Interest expense for the year ended December 31 | 53 | 68 | 52 |
| Approximate weighted-average interest rate during the year | 0.4% | 0.4% | 0.4% |
| Approximate weighted-average interest rate at year-end | 0.4% | 0.3% | 0.3% |
| **Other short-term borrowings (CHF million)** | | | |
| Outstanding as of December 31 | 3,990 | 10,354 | 8,097 |
| Maximum amount outstanding at any month-end during the year | 10,993 | 11,448 | 9,861 |
| Approximate average amount outstanding during the year | 9,044 | 9,444 | 6,926 |
| Interest expense for the year ended December 31 | 52 | 51 | 80 |
| Approximate weighted-average interest rate during the year | 0.6% | 0.5% | 1.2% |
| Approximate weighted-average interest rate at year-end | 1.3% | 0.3% | 1.2% |

Generally, original maturities of central bank funds purchased, securities sold under repurchase agreements and securities lending transactions are less than six months, commercial paper are less than six months and other short-term borrowings are one year or less.

## STATISTICAL INFORMATION – BANK

Statistical information for the Group is required under the SEC's specialized industry guide for bank holding companies – Industry Guide 3. Certain statistical information is also included in *VII – Consolidated financial statements – Credit Suisse (Bank)*, including *Notes 6 – Net interest income*, *16 – Investment securities, 18 – Loans, allowance for loan losses and credit quality, 23 – Deposits, 24 – Long-term debt, 31 – Derivatives and hedging activities, 32 – Guarantees and commitments and 34 – Financial instruments*. Except to the extent described below, such statistical information for the Bank is not materially different, either in absolute amount or in terms of trends, from such statistical information for the Group. The principal differences described below relate to the banking businesses of the Group that are not included in the Bank's consolidated financial statements and intercompany eliminations.

The short-term borrowings of the Bank and the Group may differ from period to period. As of December 31, 2015, 2014 and 2013, the Bank had short-term borrowings of CHF 8.7 billion, CHF 25.9 billion and CHF 20.2 billion compared to short-term borrowings of CHF 8.7 billion, CHF 25.9 billion and CHF 20.2 billion at the Group, respectively.

In addition, certain elements of the Group's and the Bank's investment portfolio may differ from period to period. As of December 31, 2015, the carrying value of the Group's debt securities was CHF 3.0 billion compared to CHF 2.6 billion for the Bank. The higher value of debt securities at the Group compared to the Bank primarily related to debt securities issued by Swiss federal, cantonal or local governmental entities and foreign governments held by Neue Aargauer Bank, principally for liquidity management purposes.

The Bank's loan portfolio constitutes substantially all of the Group's consolidated loan portfolio. As of December 31, 2015, 2014 and 2013, the Bank's total loans were CHF 254.9 billion, CHF 255.9 billion and CHF 231.2 billion or 93.4%, 93.9% and 93.6% of the Group's total loans of CHF 273.0 billion, CHF 272.6 billion and CHF 247.1 billion, respectively. Differences between the Bank and the Group in the composition and maturity profile of the loan portfolio, allowance for loan losses, write-offs and impaired loans as of December 31, 2015, December 31, 2014 and December 31, 2013 principally related to Neue Aargauer Bank and BANK-now, primarily in the Swiss consumer segment.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in VII – Consolidated financial statements – Credit Suisse (Bank) for additional information on the Bank's loan portfolio and related allowances.

## Ratio of earnings to fixed charges – Group

| in | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Ratio of earnings to fixed charges (CHF million)** | | | | | |
| Income/(loss) from continuing operations before taxes, noncontrolling interests, extraordinary items and cumulative effect of accounting changes | (2,422) | 3,627 | 4,096 | 2,190 | 3,471 |
| Income from equity method investments | (243) | (244) | (251) | (160) | (138) |
| **Pre-tax earnings/(loss) from continuing operations** | **(2,665)** | **3,383** | **3,845** | **2,030** | **3,333** |
| Fixed charges: | | | | | |
| Interest expense | 10,042 | 10,027 | 11,441 | 14,947 | 16,550 |
| Interest portion of rentals [1] | 538 | 627 | 642 | 645 | 600 |
| Preferred dividend requirements | 0 | 53 | 236 | 231 | 216 |
| **Total fixed charges** | **10,580** | **10,707** | **12,319** | **15,823** | **17,366** |
| **Pre-tax earnings before fixed charges** | **7,915** | **14,090** | **16,164** | **17,853** | **20,699** |
| Noncontrolling interests | (1) | 449 | 639 | 336 | 837 |
| **Earnings before fixed charges and provision for income taxes** | **7,916** | **13,641** | **15,525** | **17,517** | **19,862** |
| **Ratio of earnings to fixed charges** | **0.75** | **1.27** | **1.26** | **1.11** | **1.14** |

[1] Amounts reflect a portion of premises and real estate expenses deemed representative of the interest factor.

## Ratio of earnings to fixed charges – Bank

| in | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Ratio of earnings to fixed charges (CHF million)** | | | | | |
| Income/(loss) from continuing operations before taxes, noncontrolling interests, extraordinary items and cumulative effect of accounting changes | (2,938) | 2,961 | 3,654 | 1,779 | 2,664 |
| Income from equity method investments | (210) | (231) | (240) | (144) | (134) |
| **Pre-tax earnings/(loss) from continuing operations** | **(3,148)** | **2,730** | **3,414** | **1,635** | **2,530** |
| Fixed charges: | | | | | |
| Interest expense | 9,990 | 9,908 | 11,307 | 14,757 | 16,464 |
| Interest portion of rentals [1] | 528 | 618 | 632 | 629 | 580 |
| Preferred dividend requirements | 0 | 53 | 236 | 231 | 216 |
| **Total fixed charges** | **10,518** | **10,579** | **12,175** | **15,617** | **17,260** |
| **Pre-tax earnings before fixed charges** | **7,370** | **13,309** | **15,589** | **17,252** | **19,790** |
| Noncontrolling interests | (7) | 445 | 669 | 333 | 901 |
| **Earnings before fixed charges and provision for income taxes** | **7,377** | **12,864** | **14,920** | **16,919** | **18,889** |
| **Ratio of earnings to fixed charges** | **0.70** | **1.22** | **1.23** | **1.08** | **1.09** |

[1] Amounts reflect a portion of premises and real estate expenses deemed representative of the interest factor.

# Other information

## EXCHANGE CONTROLS

There are no restrictions presently in force under our Articles of Association or Swiss law that limit the right of non-resident or foreign owners to hold our securities freely or, when entitled, to vote their securities freely. The Swiss federal government may from time to time impose sanctions, including exchange control restrictions, on particular countries, regimes, organizations or persons. A current list, in German, of such sanctions can be found at *www.seco-admin.ch*. Other than these sanctions, there are currently no Swiss exchange control laws or laws restricting the import or export of capital, including, but not limited to, the remittance of dividends, interest or other payments to non-resident holders of our securities.

## AMERICAN DEPOSITARY SHARES

Under Swiss law, holders of ○ American Depositary Shares (ADS) are not shareholders and are not recorded in our share register. A nominee for the ADS depositary is the registered holder of the shares underlying the ADS. Rights of ADS holders to exercise voting rights, receive dividends and other matters are governed by the deposit agreement pursuant to which the ADS are issued. For further information relating to our ADS, see the Registration Statement on Form F-6 filed with the SEC. Subject to any applicable law to the contrary, with respect to ADS for which timely voting instructions are not received by the ADS depositary in relation to any proposed resolution or for which voting instructions are received by the ADS depositary but do not specify how the ADS depositary shall vote in relation to any proposed resolution, the ADS depositary shall, or shall instruct the nominee to, vote such shares underlying the ADS in favor of such resolution if it has been proposed by the Board of Directors or otherwise in accordance with the recommendation of the Board of Directors.

## TAXATION

The following summary contains a description of the principal Swiss and US federal income tax consequences of the acquisition, ownership and disposition of our shares or ADS (Shares), but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to own or dispose of Shares. In particular, the summary is directed only to holders that hold Shares as capital assets and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that actually or constructively own 10% or more of our voting stock, persons that hold Shares as a position in a "straddle" or "conversion" transaction, or as part of a "synthetic security" or other integrated financial transaction, or persons that have a "functional currency" other than the Swiss franc or US dollar.

This summary is based on the current tax laws of Switzerland and the US, including the current "Convention Between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income" (Treaty), the US Internal Revenue Code of 1986, as amended (IR Code), existing and proposed regulations thereunder, published rulings and court decisions, all of which are subject to change, possibly with retroactive effect.

This discussion does not generally address any aspects of Swiss taxation other than income and capital taxation or any aspects of US taxation other than federal income taxation. Prospective investors are urged to consult their tax advisors regarding the Swiss and the US federal, state and local and other tax consequences of acquiring, owning and disposing of Shares.

### Swiss taxation

#### Swiss federal withholding tax on dividends and similar distributions

Dividends on Shares made or paid by us out of capital contribution reserves (*Reserven aus Kapitaleinlagen*) and distributions on Shares made or paid by us based upon a reduction of nominal value of Shares (*Nennwertherabsetzung*) are exempt from Swiss federal withholding tax. Dividends and other similar cash or in-kind distributions (including scrip or stock dividends) on Shares made or paid by us out of profit reserves or out of reserves other than capital contribution reserves are subject to Swiss federal withholding tax at a rate of 35%. The withholding tax must be withheld by us on the gross amount of the dividend or distribution and be remitted to the Swiss Federal Tax Administration. Capital gains realized on the sale of Shares are not subject to withholding tax.

##### Swiss-resident recipients

The relevant Swiss tax authority will refund or credit the Swiss federal withholding tax deducted by us on dividends or distributions on Shares in full to holders of Shares who are individuals resident in Switzerland and to holders who hold the Shares as part of a trade or business in Switzerland, and who, in each case, among other things, are the beneficial owners of the Shares and the dividends or the distributions made or paid on the Shares and who duly report the dividend or distribution in their income tax return or their statutory financial statements, as applicable, for the relevant tax period.

##### Non-resident recipients

A holder who is not resident in Switzerland and who does not hold the Shares as part of a trade or business in Switzerland may be entitled to a full or partial refund of the Swiss federal withholding tax deducted if the country in which the recipient resides for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and the other conditions of such

treaty are met. A reduction of the withholding tax at source is not provided for by Switzerland for portfolio holdings and, therefore, is not permissible. Holders of Shares should be aware that the procedures for claiming treaty benefits (and the time frame required for obtaining a tax refund) may differ from country to country and should consult their own legal, financial or tax advisors regarding receipt, ownership, purchases, sales or other dispositions of Shares and the procedures for claiming a refund of the withholding tax.

Residents of the US

In case of a Holder who is a resident of the US for purposes of the Convention between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation (Convention) without taxable presence in Switzerland to which the Shares are attributable or who is a qualified U.S. pension fund and who, in each case, is the beneficial owner of the Shares and dividend or distribution and who meets the other conditions of the Convention may apply for a full refund of the withholding tax in the case of qualified US pension funds or in excess of the amount of the 15% treaty rate in all other cases. The claim for refund must be filed on Swiss Tax Form 82 (82C for corporations, 82I for individuals, 82E for other entities and 82R for regulated investment companies), which forms together with an instruction form may be obtained from any Swiss consulate general in the US, the Swiss Federal Tax Administration at the address below or be down-loaded from the Swiss Federal Tax Administration's website. Four copies of the form must be duly completed, signed before a notary public of the US and three of them be sent to the Swiss Federal Tax Administration, Eigerstrasse 65, CH-3003, Bern, Switzerland. The form must be accompanied by suitable evidence of deduction of the Swiss federal withholding, such as certificates of deduction, bank vouchers or credit slips. The form must be filed no later than December 31 of the third year following the calendar year in which the dividend subject to the tax became payable.

### Income and profit tax on dividends and similar distributions

Shares held by Swiss resident individuals as private investments

Dividends and other distributions on Shares, made or paid by us out of capital contribution reserves (*Reserven aus Kapitaleinlagen*) and distributions made or paid by us on Shares based upon a capital reduction (*Nennwertrückzahlungen*) are exempt from Swiss federal, cantonal and communal income tax for holders of Shares who are individuals resident in Switzerland for tax purposes and who hold the Shares as private investments. Other dividends and distributions on Shares will be includible in Swiss federal, cantonal and communal taxable income for such Holders.

Shares held as assets of a Swiss business

For a holder who holds the Shares as part of a trade or business carried on in Switzerland, dividends and distributions, including capital repayments or distributions out of capital contribution reserves, made or paid by us on Shares are includible in taxable income in the relevant taxation period for purposes of Swiss federal, cantonal and communal individual or corporate income tax. A Swiss corporation or co-operative or a non-Swiss corporation or co-operative holding Shares as part of a Swiss permanent establishment may benefit from relief from taxation of the dividends or other distributions, including capital repayments or distributions out of capital contribution reserves, by way of a participation exemption if the Shares held at the time of the dividend or other distribution have a market value of at least CHF 1 million.

Non-resident recipients

A holder of Shares who is not a resident of Switzerland for tax purposes, and who, during the respective tax year, has not engaged in a trade or business carried on through a permanent establishment situated in Switzerland for tax purposes, is not subject to any Swiss federal, cantonal or communal income tax as a result of the receipt of dividends or other distributions on Shares.

▸ Refer to "Swiss federal withholding tax on dividends and similar distributions" and "Final foreign withholding taxes with UK and Austria" for further information.

### Capital gains tax realized on Shares

Shares held by Swiss resident individuals as private investments

A capital gain realized by a holder of Shares who is an individual resident in Switzerland for tax purposes and who holds the Shares as private investments classifies as a tax-exempt private capital gain and a capital loss as a non-tax deductible private capital loss for purposes of Swiss federal, cantonal and communal income tax.

▸ Refer to "Shares held as assets of a Swiss business" for information on the taxation of individuals classified as "professional securities dealers."

Shares held as assets of a Swiss business

For a holder who holds the Shares as part of a trade or business carried on in Switzerland, capital gain or loss realized on the sale of Shares is includible in, or deductible from, taxable income in the relevant tax period for purposes of Swiss federal, cantonal and communal individual or corporate income tax. This tax treatment also applies to Swiss resident private individuals who, for income tax purposes, are classified as "professional securities dealers" for reason of, among other things, frequent dealings and leveraged investments in securities.

Non-resident individuals and legal entities

Holders of Shares who are not resident in Switzerland for tax purposes, and who, during the respective tax year, have not engaged in a trade or business carried on through a permanent establishment in Switzerland for tax purposes, will not be subject to any Swiss federal, cantonal or communal income tax as a result of gain realized on the sale or other disposition of Shares.

▸ Refer to "Final foreign withholding taxes with UK and Austria" for information for UK and Austrian holders of Shares.

### Net worth and capital taxes

Shares held by Swiss resident individuals as private investments

A holder of Shares who is an individual resident in Switzerland for tax purposes and who holds the Shares as private investments is

required to include the Shares in taxable assets for purposes of cantonal and communal taxable wealth taxes.

Shares held as assets of a Swiss business

A holder who holds the Shares as part of a trade or business carried on in Switzerland is required to include the Shares in taxable wealth or taxable assets, as applicable, in the relevant tax period for purposes of cantonal and communal individual wealth tax or corporate capital tax, as applicable.

Non-resident individuals and legal entities

Holders of Shares who are not resident in Switzerland for tax purposes, and who, during the respective tax year, have not engaged in a trade or business carried on through a permanent establishment situated in Switzerland for tax purposes, will not be subject to any cantonal or communal wealth tax or capital tax as a result of the holding of Shares.

### Stamp duties upon transfer of securities

Secondary market dealings in Shares where no Swiss domestic bank or no Swiss domestic securities dealer (as defined in the Swiss Federal Stamp Duty Act) is a party or an intermediary to the transaction will not be subject to Swiss federal stamp duty on dealings in securities. Where a Swiss domestic bank or a Swiss domestic securities dealer is a party or an intermediary to such a transaction, Swiss federal stamp duty on dealings in securities at a rate of 0.15% of the purchase price of the Shares will be payable if none of the exemptions provided for in the Swiss Federal Stamp Duty Act applies. Subject to applicable statutory exemptions in respect of the one or the other party to a transaction, generally half of the tax is charged to the one party to the transaction and the other half to the other party.

### Final foreign withholding taxes with UK and Austria

Since January 1, 2013, bilateral agreements on final withholding taxes by Switzerland with the UK and Austria are in force. The agreements, among other things, require a Swiss paying agent to levy a non-refundable (final) tax at specified rates on interest, dividends and capital gains deriving from assets, including Shares, held in accounts or deposits with a Swiss paying agent in respect of individuals residing in the UK or Austria. The final withholding tax substitutes the UK or Austrian income tax, as applicable, on such interest, dividends or capital gain. Such a person may, however, opt for voluntary disclosure of the interest, dividends or capital gain to the tax authority of his or her country of residency rather than be subject to the final withholding tax specified in the agreements.

The agreements are expected to be replaced by the new law on Automatic Exchange of Information (AEOI) entering into force on January 1, 2017 and to cease to apply from January 1, 2017.

▸ Refer to "Common Reporting Standard/Automatic Exchange of Information" for further information.

### Common Reporting Standard / Automatic Exchange of Information

On February 13, 2014, the Organization for Economic Co-operation and Development released the Common Reporting Standard (CRS) designed to create a global standard for the AEOI, similar to the information to be reported under the US Foreign Account Tax Compliance Act (FATCA). On November 19, 2014, Switzerland signed the multilateral competent authority agreement on the automatic exchange of financial account information (Multilateral Agreement) that provides for the automatic exchange of FATCA-like information in line with the CRS. The Multilateral Agreement and its translation into the new Swiss AEOI law was approved by the Swiss parliament on December 15, 2015 and is expected to enter into force as of January 1, 2017. From that date, financial account information will have to be collected by Swiss financial institutions in line with the CRS for automatic exchange with countries that have concluded an AEOI agreement with Switzerland.

So far Switzerland has concluded a Multilateral AEOI agreement with the EU (28 countries) and bilateral AEOI agreements with Australia, Jersey, Guernsey, Isle of Man, Iceland, Norway, Japan, Canada and South Korea. These AEOI agreements are still subject to approval by the Swiss parliament and a potential referendum.

Pursuant to the Multilateral Agreement and the AEOI agreements, certain disclosure requirements may be imposed in respect of the holding of the Shares on investors or controlling persons that are residents of any of the signatory jurisdictions. It is expected that, where applicable, information that would need to be disclosed will include certain information about investors in the Shares, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Shares.

## US federal income tax

For purposes of this discussion, a "US Holder" is any beneficial owner of Shares that is: (i) a citizen or resident of the US; (ii) a corporation organized under the laws of the US or any political subdivision thereof; or (iii) any other person that is subject to US federal income tax on a net income basis in respect of Shares. A "Non-US Holder" is any beneficial owner of Shares that is a foreign corporation or non-resident alien individual.

### Taxation of dividends

US Holders

For US federal income tax purposes, a US Holder will be required to include the full amount (before reduction for Swiss withholding tax) of a dividend paid with respect to Shares, generally as ordinary income. Subject to certain exceptions for short-term and hedged positions, the US dollar amount of dividends received by an individual with respect to our Shares will be subject to taxation at a maximum rate of 20% if the dividends are "qualified dividends". Dividends paid on the Shares will be treated as qualified dividends if we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). Based on our audited

consolidated financial statements, we believe that the Group was not treated as a PFIC for US federal income tax purposes with respect to our 2014 or 2015 taxable years. In addition, based on the audited consolidated financial statements of the Group and our current expectations regarding the value and nature of our assets and the sources and nature of our income, we do not anticipate the Group becoming a PFIC for the 2016 taxable year. Holders of our Shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and their own particular circumstances. For this purpose, a "dividend" will include any distribution paid by us with respect to Shares, but only to the extent such distribution is not in excess of our current and accumulated earnings and profits as defined for US federal income tax purposes. Such dividend will constitute income from sources outside of the US. Subject to the limitations and conditions provided in the IR Code, a US Holder may deduct from its US federal taxable income, or claim as a credit against its US federal income tax liability, the Swiss withholding tax withheld. Under the IR Code, dividend payments by us on Shares are not eligible for the dividends received deduction generally allowed to corporate shareholders. Any distribution that exceeds our earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's tax basis in Shares and thereafter as capital gain. Because we do not intend to maintain calculations of our earnings and profits on the basis of US federal income tax principles, a US Holder should expect that any information reporting it receives may treat the full amount of any distribution paid as a dividend.

In general, a US Holder will be required to determine the amount of any dividend paid in Swiss francs by translating the Swiss francs into US dollars at the "spot rate" of exchange on the date of receipt. The tax basis of Swiss francs received by the US Holder generally will equal the US dollar equivalent of such Swiss francs, translated at the spot rate of exchange on the date such Swiss franc dividends are received. Upon a subsequent exchange of such Swiss francs for US dollars, or upon the use of such Swiss francs to purchase property, a US Holder will generally recognize ordinary income or loss in the amount equal to the difference between such US Holder's tax basis for the Swiss francs and the US dollars received or, if property is received, the fair market value of the property. In addition, a US Holder may be required to recognize US-source foreign currency gain or loss on the receipt of a refund in respect of Swiss withholding tax to the extent the US dollar value of the refund differs from the US dollar equivalent of the amount on the date of receipt of the underlying dividend.

#### Non-US Holders

Dividends paid to a Non-US Holder in respect of Shares will generally not be subject to US federal income tax unless such dividends are effectively connected with the conduct of a trade or business within the US by such Non-US Holder.

### Capital gains tax upon disposal of shares

#### US Holders

A gain or loss realized by a US Holder on the sale or other disposition of Shares will be subject to US federal income taxation as a capital gain or loss in an amount equal to the difference between the US Holder's basis in Shares and the amount realized on the disposition. Such gain or loss will generally be a long-term capital gain or loss if the US Holder holds the Shares for more than one year. A long-term capital gain realized by a US Holder that is an individual generally is subject to taxation at reduced rates.

#### Non-US Holders

A Non-US Holder will generally not be subject to US federal income tax in respect of gains realized on a sale or other disposition of Shares unless the gain is effectively connected with a trade or business of the Non-US Holder in the US.

### Backup withholding tax and information reporting requirements

Dividends paid on, and proceeds from the sale or other disposition of, Shares paid to a US Holder generally may be subject to the information reporting requirements of the IR Code and may be subject to backup withholding unless the holder: (i) establishes that it is an exempt holder; or (ii) provides an accurate taxpayer identification number on a properly completed US Internal Revenue Service (IRS) Form W-9 and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the US Holder's US federal income tax liability and may entitle such holder to a refund, provided that certain required information is furnished to the IRS.

A Non-US Holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

## LISTING DETAILS

Credit Suisse Group's shares are listed on the SIX under the symbol "CSGN". The Group's ADS are traded on the New York Stock Exchange under the symbol "CS".

The Group's shares are in registered form with a par value of CHF 0.04 per share.

## TRADING IN OUR OWN SHARES

The Group buys and sells its own shares and derivatives on its own shares within its normal trading and market-making activities mainly through its Swiss broker-dealer operations. In the Swiss market, the Group buys and sells its shares and derivatives on these shares to facilitate customer orders, to provide liquidity as a market maker and to hedge derivative instruments.

The net long or short position held by the Group's Swiss bank subsidiaries in the Group's own shares has been at non-material levels relative to the number of the Group's outstanding shares, due in part to Swiss Financial Market Supervisory Authority FINMA (FINMA) regulations requiring a 100% capital charge to the relevant legal entity for the entire net position in the Group's shares. In addition to FINMA rules, the Group's trading in its own shares in the Swiss market is subject to regulation under the Swiss Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading, the rules of the SIX and the European Exchange electronic exchange, and the Swiss Bankers Association Code of Conduct for Securities Dealers. Trading is also limited by the Group's risk management limits, internal capital allocation rules, balance sheet requirements, counterparty restrictions and other internal regulations and guidelines. Swiss law further limits the Group's ability to hold or repurchase its own shares.

The Group may from time to time place orders for its own shares to satisfy obligations under various employee and management incentive share plans, and potentially for shares to be used as payment in acquisitions. In addition, the Group may purchase shares with the intent of cancellation. Typically in Switzerland, the purchase of shares for cancellation is done under a separate program from the repurchase of shares to be re-issued under employee and management incentive share plans.

▸ Refer to "Share repurchases" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Shareholders' equity and share metrics for further information on trading in the Group's shares and shares repurchases.

### Closing prices and average daily trading volumes for shares and ADS

| Period | Average trading volumes [1] | Shares in CHF (High) [1] | Shares in CHF (Low) [1] | Average trading volumes [2] | Shares in USD (High) [2] | Shares in USD (Low) [2] |
|---|---|---|---|---|---|---|
| **2016 (through March 18)** | **10,620,842** | **21.3** | **12.3** | **3,081,532** | **21.4** | **12.7** |
| March (through March 18) | 11,085,582 | 15.5 | 13.9 | 3,020,016 | 15.9 | 14.1 |
| February | 13,847,828 | 17.5 | 12.3 | 4,181,861 | 17.3 | 12.7 |
| January | 6,907,190 | 21.3 | 17.5 | 1,968,618 | 21.4 | 17.3 |
| **2015** | **7,091,407** | **27.9** | **18.2** | **1,524,543** | **29.7** | **20.5** |
| Fourth quarter | 7,390,412 | 24.2 | 20.0 | 1,714,092 | 26.0 | 20.5 |
| December | 7,800,151 | 22.5 | 20.0 | 1,659,640 | 22.6 | 20.5 |
| November | 7,989,353 | 24.2 | 21.2 | 1,280,034 | 25.4 | 21.5 |
| October | 6,446,206 | 24.2 | 22.8 | 2,163,142 | 26.0 | 24.1 |
| Third quarter | 6,211,097 | 27.9 | 22.5 | 1,448,901 | 29.7 | 23.6 |
| Second quarter | 6,522,210 | 26.4 | 23.3 | 1,270,364 | 28.2 | 25.7 |
| First quarter | 8,275,518 | 25.4 | 18.2 | 1,667,546 | 27.0 | 21.0 |
| **2014** | **5,018,235** | **30.1** | **23.8** | **973,398** | **33.2** | **24.8** |
| Fourth quarter | 5,271,484 | 26.7 | 23.8 | 1,195,925 | 28.1 | 24.8 |
| Third quarter | 4,918,853 | 26.5 | 24.2 | 822,820 | 29.3 | 26.4 |
| Second quarter | 4,923,513 | 29.5 | 25.3 | 948,432 | 32.8 | 28.3 |
| First quarter | 4,960,842 | 30.1 | 26.6 | 923,695 | 33.2 | 29.3 |
| **2013** | **5,532,934** | **30.3** | **22.9** | **1,353,861** | **33.8** | **24.6** |
| **2012** | **6,955,208** | **27.2** | **16.0** | **2,347,395** | **29.7** | **16.2** |
| **2011** | **7,145,763** | **45.0** | **19.7** | **2,027,558** | **47.6** | **21.2** |

[1] Closing prices for one share and average daily trading volume (SIX).
[2] Closing prices of ADS and average daily trading volume (NYSE).

## PROPERTY AND EQUIPMENT

Our principal executive offices, which we own, are located at Paradeplatz 8, Zurich, Switzerland. As of the end of 2015, we maintained 447 offices and branches worldwide, of which approximately 64% were located in Switzerland.

As of the end of 2015, approximately 26% of our worldwide offices and branches were owned directly by us, with the remainder being held under commercial leases, 57% of which expire after 2020. The book value of the ten largest owned properties was approximately CHF 0.9 billion as of the end of 2015. Some of our principal facilities are subject to mortgages and other security interests granted to secure indebtedness to certain financial institutions. As of the end of 2015, the total amount of indebtedness secured by these facilities was not material to us.

We believe that our current facilities are adequate for existing operations. Management regularly evaluates our operating facilities for suitability, market presence, renovation and maintenance.

## FOREIGN CURRENCY TRANSLATION RATES

The following tables set forth, for the periods indicated, certain information concerning the noon buying rate for the Swiss franc expressed as USD per CHF 1.00:

| Year | End of | Average in [1] | High | Low |
|---|---|---|---|---|
| **Exchange rate information – 5 years** | | | | |
| 2015 | 0.9983 | 1.0397 | 1.1781 | 0.9704 |
| 2014 | 1.0066 | 1.0942 | 1.1478 | 1.0066 |
| 2013 | 1.1231 | 1.0813 | 1.1292 | 1.0190 |
| 2012 | 1.0923 | 1.0713 | 1.1174 | 1.0043 |
| 2011 | 1.0668 | 1.1398 | 1.3706 | 1.0251 |

[1] The average of the noon buying rates on the last business day of each month during the relevant period.

| Month | High | Low |
|---|---|---|
| **Exchange rate information – 6 months** | | |
| March 2016 (through March 18) | 1.0331 | 1.0006 |
| February 2016 | 1.0303 | 0.9802 |
| January 2016 | 1.0028 | 0.9779 |
| December 2015 | 1.0180 | 0.9713 |
| November 2015 | 1.0149 | 0.9704 |
| October 2015 | 1.0539 | 1.0086 |
| September 2015 | 1.0401 | 1.0225 |

# Appendix

A-2 Selected five-year information

A-4 List of abbreviations

A-6 Glossary

A-10 Investor information

A-12 Financial calendar and contacts

# Selected five-year information

## Selected information – Group

| in / end of | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Condensed consolidated statements of operations (CHF million)** | | | | | |
| **Net revenues** | **23,797** | **26,242** | **25,856** | **23,611** | **25,891** |
| **Provision for credit losses** | **324** | **186** | **167** | **170** | **187** |
| **Total operating expenses** | **25,895** | **22,429** | **21,593** | **21,251** | **22,233** |
| **Income/(loss) from continuing operations before taxes** | **(2,422)** | **3,627** | **4,096** | **2,190** | **3,471** |
| Income tax expense | 523 | 1,405 | 1,276 | 465 | 656 |
| **Income/(loss) from continuing operations** | **(2,945)** | **2,222** | **2,820** | **1,725** | **2,815** |
| Income/(loss) from discontinued operations, net of tax | 0 | 102 | 145 | (40) | (25) |
| **Net income/(loss)** | **(2,945)** | **2,324** | **2,965** | **1,685** | **2,790** |
| Net income/(loss) attributable to noncontrolling interests | (1) | 449 | 639 | 336 | 837 |
| **Net income/(loss) attributable to shareholders** | **(2,944)** | **1,875** | **2,326** | **1,349** | **1,953** |
| of which from continuing operations | (2,944) | 1,773 | 2,181 | 1,389 | 1,978 |
| of which from discontinued operations | 0 | 102 | 145 | (40) | (25) |
| **Earnings per share (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | (1.73) | 0.99 | 1.10 | 0.79 | 1.29 |
| Basic earnings/(loss) per share | (1.73) | 1.05 | 1.18 | 0.76 | 1.27 |
| Diluted earnings/(loss) per share from continuing operations | (1.73) | 0.98 | 1.10 | 0.79 | 1.29 |
| Diluted earnings/(loss) per share | (1.73) | 1.04 | 1.18 | 0.76 | 1.27 |
| **Consolidated balance sheet (CHF million)** | | | | | |
| Total assets | 820,805 | 921,462 | 872,806 | 924,280 | 1,049,165 |
| Share capital | 78 | 64 | 64 | 53 | 49 |
| Shareholders' equity | 44,382 | 43,959 | 42,164 | 35,498 | 33,674 |
| **Shares outstanding (million)** | | | | | |
| Shares outstanding | 1,951.5 | 1,599.5 | 1,590.9 | 1,293.8 | 1,220.3 |
| **Dividend per share (CHF)** | | | | | |
| Dividend per share | 0.70 [1] | 0.70 | 0.70 | 0.75 | 0.75 |
| **Ratios (%)** | | | | | |
| Return on assets [2] | (0.3) | 0.2 | 0.3 | 0.1 | 0.3 |
| Return on equity attributable to shareholders | (6.8) | 4.4 | 5.7 | 3.9 | 6.0 |
| Dividend payout ratio | – | 66.7 | 59.3 | 98.7 | 59.1 |
| Equity to asset ratio | 5.4 | 4.8 | 4.8 | 3.8 | 3.2 |

[1] Proposal of the Board of Directors to the Annual General Meeting on April 29, 2016; to be paid out of capital contribution reserves.
[2] Based on amounts attributable to shareholders.

## Selected information – Group (continued)

| in / end of | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Average economic risk capital (CHF million)** | | | | | |
| Swiss Universal Bank | 4,791 | 4,905 | 5,137 | 5,244 | 5,363 |
| International Wealth Management | 4,076 | 3,930 | 4,099 | 4,228 | 4,810 |
| Asia Pacific | 3,366 | 2,974 | 2,361 | 2,008 | 2,539 |
| Global Markets | 13,248 | 12,146 | 10,705 | 10,453 | 11,170 |
| Investment Banking & Capital Markets | 4,358 | 3,893 | 3,248 | 2,899 | 2,559 |
| Credit Suisse | 35,038 | 32,778 | 30,117 | 29,798 | 32,656 |
| **Pre-tax return on average economic risk capital (%)** | | | | | |
| Swiss Universal Bank | 34.8 | 40.5 | 34.1 | 42.5 | 31.5 |
| International Wealth Management | 18.1 | 31.7 | 30.6 | 24.5 | 13.7 |
| Asia Pacific | 11.2 | 30.3 | 31.9 | (8.9) | (1.4) |
| Global Markets | (14.0) | 22.7 | 29.1 | 32.2 | 7.6 |
| Investment Banking & Capital Markets | (8.1) | 13.0 | 17.9 | 11.8 | (8.1) |
| Credit Suisse | (6.5) | 11.5 | 14.1 | 8.0 | 11.2 |

The calculation of divisional economic risk capital under the new organization required certain additional assumptions and allocations methods, which may not be required for future periods given the level of detail of information then available.

## Selected information – Bank

| in / end of | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Condensed consolidated statements of operations (CHF million)** | | | | | |
| **Net revenues** | **23,211** | **25,589** | **25,314** | **22,976** | **25,006** |
| **Provision for credit losses** | **276** | **125** | **93** | **88** | **123** |
| **Total operating expenses** | **25,873** | **22,503** | **21,567** | **21,109** | **22,219** |
| **Income/(loss) from continuing operations before taxes** | **(2,938)** | **2,961** | **3,654** | **1,779** | **2,664** |
| Income tax expense | 439 | 1,299 | 1,170 | 365 | 508 |
| **Income/(loss) from continuing operations** | **(3,377)** | **1,662** | **2,484** | **1,414** | **2,156** |
| Income/(loss) from discontinued operations, net of tax | 0 | 102 | 145 | (40) | (25) |
| **Net income/(loss)** | **(3,377)** | **1,764** | **2,629** | **1,374** | **2,131** |
| Net income/(loss) attributable to noncontrolling interests | (7) | 445 | 669 | 333 | 901 |
| **Net income/(loss) attributable to shareholder** | **(3,370)** | **1,319** | **1,960** | **1,041** | **1,230** |
| of which from continuing operations | (3,370) | 1,217 | 1,815 | 1,081 | 1,255 |
| of which from discontinued operations | 0 | 102 | 145 | (40) | (25) |
| **Consolidated balance sheet (CHF million)** | | | | | |
| Total assets | 803,931 | 904,849 | 854,429 | 907,436 | 1,034,784 |
| Share capital | 4,400 | 4,400 | 4,400 | 4,400 | 4,400 |
| Shareholder's equity | 43,406 | 42,895 | 39,467 | 34,704 | 30,386 |
| **Number of shares outstanding (million)** | | | | | |
| Number of shares outstanding | 4,399.7 | 4,399.7 | 4,399.7 | 44.0 | 44.0 |

# List of abbreviations

| | |
|---|---|
| **A** | |
| ABO | Accumulated benefit obligation |
| ABS | Asset-backed securities |
| ADR | American Depositary Receipts |
| ADS | American Depositary Shares |
| AEOI | Automatic Exchange of Information |
| AES® | Advanced execution services |
| AGM | Annual General Meeting |
| AIG | American International Group, Inc. |
| A-IRB | Advanced internal ratings-based approach |
| AMA | Advanced measurement approach |
| AMF | Asset Management Finance LLC |
| AoA | Articles of Association |
| AOCI | Accumulated other comprehensive income/(loss) |
| APP | Adjustable Performance Plan |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Updates |
| **B** | |
| BA | Bachelor of Arts |
| BBA | Bachelor of Business Administration |
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| bp | basis points |
| **C** | |
| CARMC | Capital Allocation and Risk Management Committee |
| CCA | Contingent Capital Awards |
| CDO | Collateralized debt obligation |
| CDS | Credit default swap |
| CET1 | Common equity tier 1 |
| CEO | Chief Executive Officer |
| CFIG | Customized Fund Investment Group |
| CFO | Chief Financial Officer |
| CFTC | Commodity Futures Trading Commission |
| CLO | Collateralized loan obligation |
| CMBS | Commercial mortgage-backed securities |
| CoE | Centers of excellence |
| COF | Capital Opportunity Facility |
| COO | Chief Operating Officer |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| CP | Commercial paper |
| CPR | Constant prepayment rate |
| CRD | Capital Requirements Directive |
| CRO | Chief Risk Officer |
| CVA | Credit valuation adjustment |
| **D** | |
| DVA | Debit valuation adjustment |
| **E** | |
| EAD | Exposure at default |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| EC | European Commission |
| ECB | European Central Bank |
| EGM | Extraordinary General Meeting |
| EMEA | Europe, Middle East and Africa |
| EMIR | European Market Infrastructure Regulation |
| ETF | Exchange-traded funds |
| EU | European Union |
| **F** | |
| FASB | Financial Accounting Standards Board |
| FATCA | Foreign Account Tax Compliance Act |
| FDIC | Federal Deposit Insurance Corporation |
| Fed | US Federal Reserve |
| FINMA | Swiss Financial Market Supervisory Authority FINMA |
| FINRA | Financial Industry Regulatory Authority |
| FSA | UK Financial Services Authority |
| FSB | Financial Stability Board |
| FSMA | Financial Services and Markets Act 2000 |
| FVA | Funding valuation adjustments |
| **G** | |
| GAAP | Generally accepted accounting principles |
| GSE | Government-sponsored enterprise |
| G-SIB | Global Systemically Important Bank |
| **H** | |
| HQLA | High quality liquid assets |
| HNWI | High-net-worth individuals |
| **I** | |
| IFRS | International Financial Reporting Standards |
| IHC | US intermediate holding company |
| IPO | Initial public offering |
| IRC | Incremental risk charge |
| IRS | Internal Revenue Service |
| ISDA | International Swaps and Derivatives Association, Inc. |
| ISU | Incentive Share Unit |
| IT | Information technology |
| **J** | |
| JD | Juris Doctor |

**L**

| | |
|---|---|
| LCR | Liquidity coverage ratio |
| LGD | Loss given default |
| LIBOR | London Interbank Offered Rate |
| LTI | Long-term incentive |
| LLM | Master of laws |
| LTV | Loan-to-value |

**M**

| | |
|---|---|
| M&A | Mergers and acquisitions |
| MA | Master of Arts |
| MACCS | Mandatory and contingent convertible securities |
| MBA | Master of Business Administration |
| MiFID I | Markets in Financial Instruments Directive |
| MiFID II | Revised Markets in Financial Instruments Directive |
| MRTC | Material risk takers and controllers |
| MSRB | Municipal Securities Rulemaking Board |

**N**

| | |
|---|---|
| NAV | Net asset value |
| NRV | Negative replacement value |
| NSFR | Net stable funding ratio |
| NYSE | New York Stock Exchange |

**O**

| | |
|---|---|
| OCC | Office of the Comptroller of the Currency |
| OGR | Organizational Guidelines and Regulations |
| OTC | Over-the-counter |

**P**

| | |
|---|---|
| PAF | 2008 Partner Asset Facility |
| PAF2 | 2011 Partner Asset Facility |
| PBO | Projected benefit obligation |
| PD | Probability of default |
| PFIC | Passive foreign investment company |
| PhD | Doctorate of Philosophy |
| PRA | Prudential Regulation Authority |
| PRV | Positive replacement value |
| PSA | Prepayment speed assumption |

**Q**

| | |
|---|---|
| QIA | Qatar Investment Authority |

**R**

| | |
|---|---|
| RCSA | Risk and control self-assessment |
| RMBS | Residential mortgage-backed securities |
| RNIV | Risk not in VaR |
| ROE | Return on equity |
| RPSC | Risk Processes & Standards Committee |
| RRP | Recovery and Resolution Plan |
| RRSC | Reputational Risk & Sustainability Committee |
| RWA | Risk-weighted assets |

**S**

| | |
|---|---|
| SCNY | Supreme Court for the State of New York |
| SDNY | US District Court for the Southern District of New York |
| SEC | US Securities and Exchange Commission |
| SEI | Significant economic interest |
| SESTA | Swiss Federal Act on Stock Exchanges and Securities Trading |
| SIX | SIX Swiss Exchange |
| SME | Small- and medium-sized enterprises |
| SNB | Swiss National Bank |
| SOX | US Sarbanes-Oxley Act of 2002 |
| SPE | Special purpose entity |
| SPIA | Single premium immediate annuity |
| STI | Short-term incentive |

**T**

| | |
|---|---|
| TBTF | “Too Big to Fail” |
| TED | Treasury Bill Eurodollar Difference |
| TLAC | Total loss-absorbing capacity |
| TRS | Total return swap |

**U**

| | |
|---|---|
| UHNWI | Ultra-high-net-worth individuals |
| UK | United Kingdom |
| US | United States of America |
| US GAAP | US generally accepted accounting principles |

**V**

| | |
|---|---|
| VaR | Value-at-Risk |
| VARMC | Valuation and Risk Management Committee |
| VIE | Variable interest entity |
| VIX | Chicago Board of Options Exchange Market Volatility Index |

# Glossary

## A

**Advanced execution services® (AES®)** AES® is a suite of algorithmic trading strategies, tools, and analytics operated by Credit Suisse to facilitate global equity trading. By employing algorithms to execute client orders and limit volatility, AES® helps institutions and hedge funds reduce market impact. AES® provides access to exchanges in more than 35 countries worldwide via more than 45 leading trading platforms.

**Advanced internal ratings-based approach (A-IRB)** Under the A-IRB approach, risk weights are determined by using internal risk parameters. We have received approval from FINMA to use, and have fully implemented, the A-IRB approach whereby we provide our own estimates for probability of default (PD), loss given default (LGD) and exposure at default (EAD). We use the A-IRB approach to determine our institutional credit risk and most of our retail credit risk.

**Advanced measurement approach (AMA)** The AMA is used for measuring operational risk. The methodology is based upon the identification of a number of key risk scenarios that describe the major operational risks we face. Groups of senior staff review each scenario and discuss the likelihood of occurrence and the potential severity of loss. Internal and external loss data, along with certain business environment and internal control factors, such as self-assessment results and key risk indicators, are considered as part of this process. Based on the output from these meetings, we enter the scenario parameters into an operational risk model that generates a loss distribution from which the level of capital required to cover operational risk is determined. We have received approval from FINMA to use an internal model for the calculation of operational risk capital, which is aligned with the requirements of the AMA under the Basel framework.

**Affluent and retail clients** We define affluent and retail clients as individuals having assets under management below CHF 1 million.

**American Depositary Shares (ADS)** An American depositary receipt is a negotiable certificate evidencing an ADS, issued by a depositary bank, that represents all or part of an underlying share of a foreign-based company held in custody.

## B

**Backtesting** Backtesting is a process used to evaluate the performance of VaR models. It consists of a comparison between actual trading revenues and 1-day, 99% VaR. Regulators also use backtesting to evaluate model performance. VaR models that experience less than five exceptions in a rolling 12-month period are deemed to be statistically correct and attract no additional regulatory capital charges.

**Bank for International Settlements (BIS)** The Bank for International Settlements (BIS) serves central banks in their pursuit of monetary and financial stability, fosters international cooperation in those areas and acts as a bank for central banks.

**Basel III** In December 2010, the Basel Committee on Banking Supervision (BCBS) issued the Basel III framework, which is a comprehensive set of reform measures to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance and strengthen banks' transparency and disclosures. The phase-in period for Basel III is January 1, 2013 through January 1, 2019.

**Basel Committee on Banking Supervision (BCBS)** The Basel Committee on Banking Supervision (BCBS) provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance the understanding of key supervisory issues and improve the quality of banking supervision worldwide. It seeks to do so by exchanging information on national supervisory issues, approaches and techniques, with a view to promoting common understanding. At times, the BCBS uses this common understanding to develop guidelines and supervisory standards in areas where they are considered desirable. In this regard, the BCBS is best known for its international standards on capital adequacy, the Core Principles for Effective Banking Supervision and the Concordat on cross-border banking supervision.

**Booking center** Part of a legal entity of Credit Suisse AG that is registered with a domestic banking license where client assets are administered and booked.

## C

**Collateralized debt obligation (CDO)** A CDO is a type of structured asset-backed security whose value and payments are derived from a portfolio of underlying fixed-income assets.

**Commercial mortgage-backed securities (CMBS)** CMBS are a type of mortgage-backed security that is secured by loans on commercial property and can provide liquidity to real estate investors and commercial lenders.

**Commercial paper (CP)** Commercial paper is an unsecured money-market security with a fixed maturity of 1 to 364 days, issued by large banks and corporations to raise funds to meet short term debt obligations.

**Constant prepayment rate (CPR)** CPR is a loan prepayment rate that is equal to the proportion of the principal of a pool of loans that is assumed to be paid off prematurely in each period. The calculation of this estimate is based on a number of factors such as historical prepayment rates for previous loans that are similar to ones in the pool and on future economic outlooks.

**Credit default swap (CDS)** A CDS is a contractual agreement in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet payment obligations when due.

**Credit valuation adjustment (CVA)** The CVA represents the market value of counterparty credit risk for uncollateralized OTC derivative instruments.

## D

**Debit valuation adjustment (DVA)** The DVA represents the market value of our own credit risk for uncollateralized OTC derivative instruments.

**Derivatives** Derivatives are financial instruments or contracts that meet all of the following three characteristics: (1) their value changes in response to changes in an underlying price, such as interest rate, security price, foreign exchange rate, credit rating/price or index; (2) they require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (3) their terms require or permit net settlement (US GAAP) or they settle at a future date (IFRS).

## E

**Exposure at default (EAD)** The EAD represents the expected exposure in the event of a default. Off-balance sheet exposures are converted into expected EADs through the application of a credit conversion factor which is modeled using internal data.

## F

**Fair value** The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Flow-based** Flow-based businesses refer to products that are generally more liquid, less complex and less volatile and which tend to provide a more stable earnings base generated from fees and/or trading activity initiated by or in facilitation of client business. Flow-based businesses include foreign exchange, interest-rate products, cash equities, vanilla derivative products and prime services.

**Funding valuation adjustments (FVA)** Funding valuation adjustments are a valuation methodology that accounts for the funding costs of uncollateralized derivatives at their present value rather than accruing for these costs over the life of the transaction.

## G

**G7** The G7 is a group of finance ministers from seven industrialized nations: the US, UK, France, Germany, Italy, Canada and Japan.

**G10** The G10 is a group of eleven countries that have agreed to make resources available to the International Monetary Fund and includes Belgium, Canada, France, Italy, Japan, the Netherlands, the UK, the US, Germany, Sweden and Switzerland.

**G20** The G20 is a group of finance ministers and central bank governors from 19 countries (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the UK and the US) plus the EU.

## H

**Haircut** The percentage by which an asset's market value is reduced for the purpose of calculating capital, margin requirements and collateral levels. This is used to provide a cushion when lending against collateral to account for possible adverse movements in the value of the collateral.

**High-net-worth individuals (HNWI)** We define high-net-worth individuals as individuals having assets under management in excess of CHF 1 million.

## I

**Incremental risk charge (IRC)** The IRC represents an estimate of the issuer default and migration risk of positions in the trading book over a one-year capital horizon at a 99.9% confidence level, taking into account the liquidity horizons of individual positions. This includes sovereign debt, but excludes securitizations and correlation products.

## L

**Liquidity coverage ratio (LCR)** The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows should be at least 100%.

**Lombard loan** A loan granted against pledged collateral in the form of securities.

**London Interbank Offered Rate (LIBOR)** LIBOR is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market.

**Loss given default (LGD)** LGD parameters consider seniority, collateral, counterparty industry and, in certain cases, fair value markdowns. LGD estimates are based on an empirical analysis of historical loss rates and are calibrated to reflect time and cost of recovery as well as economic downturn conditions. For much of the loan portfolio of private banking, corporate and institutional businesses, the LGD is primarily dependent upon the type and amount of collateral pledged. For other retail credit risk, predominantly loans secured by financial collateral, pool LGDs differentiate between standard and higher risks, as well as domestic and foreign transactions. The credit approval and collateral monitoring processes are based on loan-to-value (LTV) limits. For mortgages (residential or commercial), recovery rates are differentiated by type of property.

## M

**Match funded** Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and value so that the liquidity and funding generated or required by the positions are substantially equivalent.

**Material risk takers and controllers (MRTC)** MRTC are employees who, either individually or as a part of a group, are considered to have a potentially material impact on the Group's risk profile.

## N

**Negative replacement value (NRV)** NRV represents the negative fair value of a derivative financial instrument at a given financial reporting date. A negative replacement value reflects the amount payable to the counterparty if the derivative transaction were to be settled at the reporting date, or alternatively, the cost at a given reporting date to close an open derivative position with a fully offsetting transaction.

**Net stable funding ratio (NSFR)** The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. It is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The standard is defined as the ratio of available stable funding over the amount of required stable funding. The ratio should always be at least 100%.

## N (continued)

**Netting agreements** Netting agreements are contracts between two parties where under certain circumstances, such as insolvency, bankruptcy or any other credit event, mutual claims from outstanding business transactions can be offset against each other. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.

## O

**Over-the-counter (OTC)** Over-the-counter securities and derivatives are not traded on an exchange but via private contracts between counterparties.

## P

**Position risk** Component of the economic capital framework, which is used to assess, monitor and report risk exposures throughout the Group. Position risk is the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes).

**Positive replacement value (PRV)** PRV represents the positive fair value of a derivative financial instrument at a given reporting date. A positive replacement value reflects the amount receivable from the counterparty if the derivative transaction were to be settled at the reporting date, or alternatively, the cost at a given reporting date to enter into the exact same transaction for the residual term, if the existing counterparty should default.

**Probability of default (PD)** PD parameters capture the risk of a counterparty defaulting over a one-year time horizon. PD estimates are based on time-weighted averages of historical default rates by rating grade, with low-default-portfolio estimation techniques applied for higher quality rating grades. Each PD reflects the internal rating for the relevant obligor.

## R

**Regulatory VaR** Regulatory VaR is a version of VaR that uses an exponential weighting technique that automatically increases VaR where recent short-term market volatility is greater than long-term volatility in the two-year dataset. Regulatory VaR uses an expected shortfall calculation based on average losses, and a ten-day holding period. This results in a more responsive VaR model, as the overall increases in market volatility are reflected almost immediately in the regulatory VaR model.

**Repurchase agreements** Repurchase agreements are securities sold under agreements to repurchase substantially identical securities. These transactions normally do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the balance sheet at the amount of cash received (liability) and cash disbursed (asset), respectively.

**Residential mortgage-backed securities (RMBS)** RMBS are a type of mortgage-backed security composed of a wide array of different non-commercial mortgage debts. They securitize the mortgage payments of non-commercial real estate. Different residential mortgages with varying credit ratings are pooled together and sold in tranches to investors.

## R (continued)

**Reverse repurchase agreements** Reverse repurchase agreements are purchases of securities under agreements to resell substantially identical securities. These transactions normally do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the balance sheet at the amount of cash received (liability) and cash disbursed (asset), respectively.

**Risk management VaR** Risk management VaR is a version of VaR that uses an exponential weighting technique that automatically adjusts VaR where recent short-term market volatility differs from long-term volatility in the two-year dataset. Risk management VaR uses an expected shortfall calculation based on average losses, and a one-day holding period. This results in a more responsive VaR model, as the overall changes in market volatility are reflected almost immediately in the risk management VaR model.

**Risk mitigation** Risk mitigation refers to measures undertaken by the Group or the Bank to actively manage its risk exposure. For credit risk exposure, such measures would normally include utilizing credit hedges and collateral, such as cash and marketable securities. Credit hedges represent the notional exposure that can be transferred to other market counterparties, generally through the use of credit default swaps.

**Risk not in VaR (RNIV)** RNIV is a framework intended to ensure that capital is held to meet all risks which are not captured, or not captured adequately, by the Group's VaR and stressed VaR models. These include, but are not limited to incomplete, missing and/or illiquid risk factors such as certain basis, correlation, higher-order and cross risks, and calibration parameters. The RNIV framework is continuously updated to incorporate new RNIVs.

**Risk-weighted assets (RWA)** The value of the Group's assets weighted according to certain identified risks for compliance with regulatory provisions.

## S

**Stressed VaR** Stressed VaR replicates a VaR calculation on the current portfolio of the Group or the Bank, taking into account a one-year observation period relating to significant financial stress; it helps reduce the pro-cyclicality of the minimum capital requirements for market risk.

**Swiss Financial Supervisory Authority FINMA (FINMA)** FINMA, as an independent supervisory authority, protects creditors, investors and policy holders, ensuring the smooth functioning of the financial markets and preserving their reputation. In its role as state supervisory authority, FINMA acts as an oversight authority of banks, insurance companies, exchanges, securities dealers, collective investment schemes, distributors and insurance intermediaries. It is responsible for combating money laundering and, where necessary, conducts restructuring and bankruptcy proceedings and issues operating licenses for companies in the supervised sectors. Through its supervisory activities, it ensures that supervised institutions comply with the requisite laws, ordinances, directives and regulations and continues to fulfill the licensing requirements. FINMA also acts as a regulatory body; it participates in legislative procedures, issues its own ordinances and circulars where authorized to do so, and is responsible for the recognition of self-regulatory standards.

## T

**"Too Big to Fail" (TBTF)** In 2011, the Swiss Parliament passed legislation relating to big banks. The legislation includes capital and liquidity requirements and rules regarding risk diversification and emergency plans designed to maintain systemically relevant functions even in the event of threatened insolvency.

**Total loss-absorbing capacity (TLAC)** Total loss-absorbing capacity (TLAC) is a regulatory requirement designed to ensure that Global Systemically Important Banks (G-SIBs) have the loss absorbing and recapitalization capacity so that, in an immediately following resolution, critical functions can continue without requiring taxpayer support or threatening financial stability.

**Total return swap (TRS)** A TRS is a swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds.

## U

**Ultra-high-net-worth individuals (UHNWI)** Ultra-high-net-worth individuals have assets under management in excess of CHF 50 million or total wealth exceeding CHF 250 million.

## V

**Value-at-Risk (VaR)** VaR is a technique used to measure the potential loss in fair value of financial instruments based on a statistical analysis of historical price trends and volatilities. VaR as a concept is applicable for all financial risk types with valid regular price histories; the use of VaR allows the comparison of risk in different businesses, such as fixed income and equity.

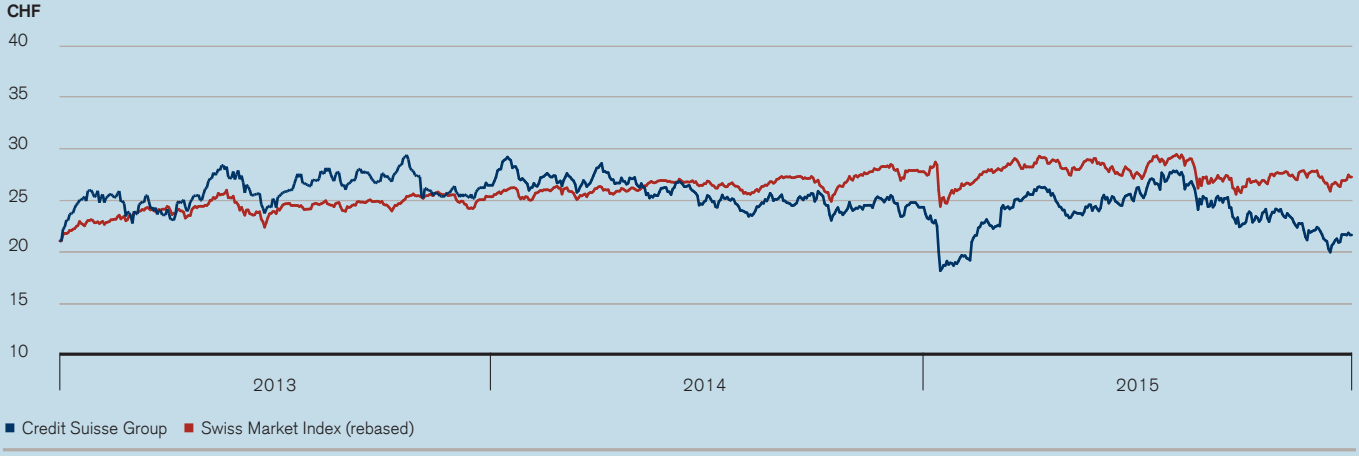
# Investor information

## Share data

| in / end of | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Share price (common shares, CHF)** | | | |
| Average | 23.85 | 26.52 | 26.74 |
| Minimum | 18.22 | 23.77 | 22.90 |
| Maximum | 27.89 | 30.08 | 30.29 |
| End of period | 21.69 | 25.08 | 27.27 |
| **Share price (American Depositary Shares, USD)** | | | |
| Average | 25.43 | 28.98 | 28.85 |
| Minimum | 20.48 | 24.84 | 24.56 |
| Maximum | 29.69 | 33.19 | 33.84 |
| End of period | 21.69 | 25.08 | 30.84 |
| **Market capitalization** | | | |
| Market capitalization (CHF million) | 42,456 | 40,308 | 43,526 |
| Market capitalization (USD million) | 42,456 | 40,308 | 49,224 |
| **Dividend per share (CHF)** | | | |
| Dividend per share | 0.70 [1] | 0.70 [2] | 0.70 [2] |

[1] Proposal of the Board of Directors to the Annual General Meeting on April 29, 2016; to be paid out of capital contribution reserves.
[2] Paid out of capital contribution reserves.

## Share performance



## Ticker symbols / stock exchange listings

| | Common shares | ADS [1] |
|---|---|---|
| **Ticker symbols** | | |
| SIX Financial Information | CSGN | – |
| Bloomberg | CSGN VX | CS US |
| Reuters | CSGN.VX | CS.N |
| **Stock exchange listings** | | |
| Swiss security number | 1213853 | 570660 |
| ISIN number | CH0012138530 | US2254011081 |
| CUSIP number | – | 225 401 108 |

[1] One American Depositary Share (ADS) represents one common share.

## Bond ratings

| as of March 18, 2016 | Moody's | Standard & Poor's | Fitch Ratings |
|---|---|---|---|
| **Credit Suisse Group ratings** | | | |
| Short-term | – | – | F1 |
| Long-term | Baa3 | BBB+ | A |
| Outlook | Stable | Stable | Stable |
| **Credit Suisse (the Bank) ratings** | | | |
| Short-term | P-1 | A-1 | F1 |
| Long-term | A2 | A | A |
| Outlook | Stable | Stable | Positive |

## Foreign currency translation rates

| | End of | | | Average in | | |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 |
| 1 USD / 1 CHF | 0.99 | 0.99 | 0.89 | 0.96 | 0.91 | 0.93 |
| 1 EUR / 1 CHF | 1.08 | 1.20 | 1.23 | 1.07 | 1.21 | 1.23 |
| 1 GBP / 1 CHF | 1.47 | 1.54 | 1.47 | 1.47 | 1.51 | 1.45 |
| 100 JPY / 1 CHF | 0.82 | 0.83 | 0.85 | 0.80 | 0.86 | 0.95 |

# Financial calendar and contacts

| Financial calendar | |
|---|---|
| Annual General Meeting | Friday, April 29, 2016 |
| First quarter results 2016 | Tuesday, May 10, 2016 |
| Second quarter results 2016 | Wednesday, Aug 3, 2016 |
| **Investor relations** | |
| Phone | +41 44 333 71 49 |
| E-mail | investor.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/investors |
| **Media relations** | |
| Phone | +41 844 33 88 44 |
| E-mail | media.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/news |
| **Additional information** | |
| Results and financial information | www.credit-suisse.com/results |
| Printed copies | Credit Suisse AG |
| | GCPD 1 |
| | 8070 Zurich |
| | Switzerland |

| US share register and transfer agent | |
|---|---|
| | Deutsche Bank |
| ADS depositary bank | Trust Company Americas |
| Address | American Stock Transfer & Trust Co. |
| | Operations Center |
| | 6201 15th Avenue |
| | Brooklyn, NY 11219 |
| | United States |
| US and Canada phone | +1 866 249 2593 |
| Phone from outside US and Canada | +1 718 921 8124 |
| E-mail | DB@amstock.com |
| **Swiss share register and transfer agent** | |
| Address | Credit Suisse Group AG |
| | Share Register RXS |
| | 8070 Zurich |
| | Switzerland |
| Phone | +41 44 332 02 02 |
| E-mail | share.register@credit-suisse.com |

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Fax +81 3 4550 9800

**Cautionary statement regarding forward-looking information**

This report contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings, and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in *I – Information on the company – Risk factors*.

Production: Management Digital Data AG
Printer: Neidhart + Schön AG
Paper (cover): MultiArt Silk, half-matt coated, FSC-Mix, 350g/m²
Paper (content): Superset Offset, matt, FSC-Mix, 100g/m²

MIX
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Print | ID: 53232-1603-1027



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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

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## Form 6-K/A

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**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

March 24, 2016

Commission File Number 001-15244

# CREDIT SUISSE GROUP AG

(Translation of registrant's name into English)

Paradeplatz 8, 8001 Zurich, Switzerland
(Address of principal executive office)

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Commission File Number 001-33434

# CREDIT SUISSE AG

(Translation of registrant's name into English)

Paradeplatz 8, 8001 Zurich, Switzerland
(Address of principal executive office)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note**: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or

other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Credit Suisse Group AG and Credit Suisse AG are filing this amendment on Form 6-K/A to its Report on Form 6-K, filed on March 24, 2016 (accession number 0001370368-16-000113) (the "Form 6-K"), solely to correct a typographical error in the filing date on the cover page and the date on the signature page.

This Form 6-K/A supersedes and replaces the Form 6-K in its entirety and is hereby incorporated by reference into the Registration Statement on Form F-3 (file no. 333-202913) and the Registration Statements on Form S-8 (file no. 333-101259 and file no. 333-208152).

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## Media Release

# Credit Suisse publishes its Annual Report 2015 and agenda for the Annual General Meeting of Shareholders on April 29, 2016

**The 2015 Annual Report will be available online at 07:00 CET today. Additionally, Credit Suisse publishes its 2015 Corporate Responsibility Report and Company Profile.**

**The Board of Directors of Credit Suisse Group AG today published the Agenda for the Annual General Meeting on April 29, 2016.**

- **Proposal for a distribution to shareholders for the 2015 financial year of CHF 0.70 per registered share in the form of either a scrip dividend, a cash distribution or a combination thereof, at the discretion of the shareholders.**
- **Proposal to increase the authorized capital to a maximum amount equivalent to 130,000,000 shares in order to service the 2016 scrip dividend and in a separate step to further increase the authorized capital for future acquisitions to a maximum amount equivalent to 130,000,000 shares in order to maintain financial flexibility and to extend the authorization by another year.**
- **Approval of the compensation of the Board of Directors and the Executive Board and consultative vote on the 2015 Compensation Report.**
- **Proposal for election of Alexander Gut and Joaquin J. Ribeiro as new members of the Board of Directors for a term of office of one year.**
- **Sebastian Thrun has been appointed as senior advisor to the newly established fintech innovation factory "Credit Suisse Labs" and will therefore not stand for re-election to the Board of Directors.**
- **The Chairman and all other members of the Board of Directors are standing for re-election.**

Zurich, March 24, 2016 **Credit Suisse Group AG and Credit Suisse AG today published their 2015 Annual Report, which includes Credit Suisse's audited financial statements and Compensation Report. The Corporate Responsibility Report and the Company Profile have also been published. In addition, the Board of Directors of Credit Suisse Group AG today announced its agenda for the Annual General Meeting on April 29, 2016.**

**Distribution payable out of capital contribution reserves**
The Board of Directors proposes, subject to the shareholders' approval of increasing the authorized capital for scrip dividend, a distribution of CHF 0.70 per registered share payable out of capital contribution reserves for the 2015 financial year in the form of either a scrip dividend, a cash distribution or a combination thereof. This allows Credit Suisse Group AG to pay a distribution to shareholders, while in case of an election for shares retaining regulatory capital in view of the increased regulatory capital requirements. Shareholders will be entitled to elect to either receive

new shares (free of charge), subject

to any legal restrictions applicable in their home jurisdiction, or to receive a cash distribution in the amount of CHF 0.70 per registered share. Should no election be made, the distribution will be paid out entirely in cash.

The delivery for both the new shares and the cash distribution is scheduled for June 6, 2016. The issue price of the new shares will be determined on the five-day average of the daily volume weighted average prices from May 26, 2016 to June 1, 2016 of the shares of Credit Suisse Group AG listed on SIX Swiss Exchange AG, less a discount of between 8% and 10%. The final discount will be set by the Board of Directors and announced prior to the beginning of the election period.

In case the Annual General Meeting of Shareholders does not support the increase of authorized capital for stock or scrip dividend, no distribution will take place.

Further information on the scrip dividend can be found in the "Shareholder Information – Summary Document", which is available on the Credit Suisse website at: www.credit-suisse.com/agm

**Increase and extension of authorized capital for scrip dividend and future acquisitions**
The Board of Directors decided to propose to the Annual General Meeting of Shareholders to increase the authorized capital in order to service the 2016 scrip dividend and to increase the authorized capital for future acquisitions and extend the authorization by another year. The two proposals will be voted on separately.

In order to service the 2016 scrip dividend, the Board of Directors proposes an increase in the authorized capital reserved for the stock or scrip dividend from currently CHF 1,150,944.04 (equivalent to 28,773,601 registered shares) to a maximum of CHF 5,200,000 (equivalent to 130,000,000 shares) and that Art. 27 of the Articles of Association be amended accordingly. In case the shareholders do not support this proposal, no distribution will take place.

In addition, the Board of Directors proposes a further increase of authorized capital for future acquisitions from currently CHF 4,000,000 (equivalent to 100,000,000 shares) to a maximum of CHF 5,200,000 (equivalent to 130,000,000 shares), that the authorization be extended by another year, and that Art. 27 of the Articles of Association be amended accordingly.

Subject to the approval of these two proposals, the authorized capital will amount to CHF 10,400,000 (equivalent to 260,000,000 shares).

**Approval of the compensation of the Board of Directors and the Executive Board**
In accordance with the requirements of the Ordinance against Excessive Compensation with Respect to Listed Stock Corporations, the Annual General Meeting of Shareholders votes separately and with binding effect on the overall compensation of the Board of Directors and the Executive Board.

The Annual General Meeting of Shareholders approves on an annual basis the compensation of the Board of Directors in advance and for the period until the next ordinary General Meeting of Shareholders. To ensure flexibility when aligning the approval periods with the compensation plans, the Board of Directors sets out in its proposal to the Annual General Meeting of Shareholders whether approval with regard to the compensation of the Executive Board by the Annual General Meeting of Shareholders is prospective or retrospective and for which periods the approvals would apply. For the 2016 Annual General Meeting of Shareholders, the Board of Directors has decided to present the fixed compensation and the long-term incentive compensation for the Executive Board to the Annual General Meeting of Shareholders for

approval in advance, while the short-term variable compensation components are to be approved retrospectively.

The Board of Directors proposes for approval a maximum compensation for the Board of Directors of CHF 12.0 million for the period until the 2017 Annual General Meeting of Shareholders. Additionally, the Board of Directors proposes the approval of the aggregate amount of CHF 34.58 million for short-term variable compensation for the Executive Board for the 2015 financial year. The Board of Directors also proposes approving a maximum amount of CHF 33.0 million for fixed compensation for the Executive Board for the period until the 2017 Annual General Meeting of Shareholders and the maximum amount of CHF 49.0 million for long-term variable compensation for the 2016 financial year.

**Consultative vote on the 2015 Compensation Report**
Consistent with the practice in prior years, the 2015 Compensation Report, which is part of Credit Suisse Group AG's Annual Report, will be presented to the Annual General Meeting of Shareholders for a consultative vote.

**Changes to the Board of Directors**
The Board of Directors of Credit Suisse Group AG is proposing Alexander Gut and Joaquin J. Ribeiro as new non-executive Board members at the Annual General Meeting of Shareholders on April 29, 2016 for a term of office of one year. Both Alexander Gut and Joaquin J. Ribeiro have extensive experience in global banking, scaling operations and innovation.

Alexander Gut is a Swiss Certified Accountant and holds a Ph.D. in Business Administration from the University of Zurich. Between 1991 and 2007, he was at KPMG Zurich and London, and at Ernst & Young Zurich as a bank auditor and transaction advisor for the financial services sector. In 2005 Alexander Gut was promoted to the Executive Committee of KPMG in Switzerland with responsibility for their Audit Financial Services practice. Since 2007 he has been Managing Partner of Gut Corporate Finance AG, an independent corporate finance advisory firm. Alexander Gut is a non-executive member of the Board of Directors and committee chair of Adecco SA and LafargeHolcim Ltd as well as a non-executive member of the Board of Directors of SIHAG, Swiss Industrial Holding Ltd.

Joaquin J. Ribeiro is a Certified Public Accountant in the United States and holds an MBA in Finance from New York University and a Business Executive Certificate from the Columbia Business School. Joaquin J. Ribeiro is Vice Chairman of Deloitte LLP (USA) and Chairman of Deloitte's Global Financial Services Industry practice (GFSI). He will continue to serve in these leadership roles until his retirement on April 15, 2016. He has almost four decades of serving financial services clients in the United States and internationally, and has played a prominent role in the management of Deloitte's key GFSI practices around the world, including leading Deloitte's GFSI practices in Asia from 1997 to 2003, and in the United States from 2003 to 2007.

**Urs Rohner, Chairman of Credit Suisse Group**, commented: "I am delighted to propose two proven experts with international experience in financial services and bank audit to be elected to the Board of Directors of Credit Suisse Group. Banks are operating in an increasingly complex regulatory framework and in a fast changing market environment. The successful implementation of our new strategy with the objective of generating profitable growth through the economic cycle requires a strong focus on risk management and compliance. It is therefore important to have outstanding professionals on the Board and

I am convinced that our bank will greatly benefit from their combined expertise. We also plan to appoint Alexander Gut to the Board of Directors of the newly established legal entity of our bank in Switzerland."

Sebastian Thrun, who joined the Board of Directors in 2014, has been appointed as senior advisor to the newly established fintech innovation factory "Credit Suisse Labs" and will therefore not stand for re-election to the Board of Directors of Credit Suisse Group.

**Urs Rohner** added: "Sebastian Thrun, founder of Google X and Udacity, will contribute to our newly established Silicon Valley based fintech venture "Credit Suisse Labs" as a senior advisor and will focus on banking innovation and continue to chair Credit Suisse's Innovation & Technology Committee. During his tenure on our Board, he shared his unique insights about technology and its impact on our bank's operating procedures, and more generally on the financial industry. Credit Suisse Labs has the mandate to position Credit Suisse at the forefront of banking innovation. I would like to warmly thank Sebastian for his contributions to Credit Suisse Group and I look forward to working with him as an advisor to us."

Chairman Urs Rohner and the other members of the Board of Directors stand for re-election for a term of office of one year.

**Invitation to the Annual General Meeting and Publication of Agenda**
The invitation and agenda for the Annual General Meeting of Shareholders as well as a letter from the Chairman of the Board of Directors to shareholders are available on the Credit Suisse website at:
www.credit-suisse.com/agm

**2015 Annual Report**
The 2015 Annual Report contains a detailed description of the Group's strategy, organizational structure, corporate governance, including compensation policies, and treasury and risk management framework. Also, it includes a review of the Group's operating and financial results accompanied by Credit Suisse's audited annual financial statements.

Additionally, Credit Suisse publishes its 2015 Corporate Responsibility Report and Company Profile.
The 2015 Corporate Responsibility Report describes how Credit Suisse Group AG assumes its various responsibilities as a bank towards society and the environment. The 2015 Company Profile contains a summary of Credit Suisse Group AG's strategic direction and organizational structure.

All publications are available for download from 07:00 CET today and hard copies can be ordered free of charge at:
www.credit-suisse.com/annualreporting.

The 2015 Annual Report on Form 20-F will be filed with the US Securities and Exchange Commission during the course of today, March 24, 2016, and will be available for download at:
www.credit-suisse.com/sec.

**Information**
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**Credit Suisse AG**
Credit Suisse AG is one of the world's leading financial services providers and is part of the Credit Suisse group of companies (referred to here as 'Credit Suisse'). As an integrated bank, Credit Suisse offers clients its combined expertise in the areas of private banking, investment banking and asset management. Credit Suisse provides advisory services, comprehensive solutions and innovative products to companies, institutional clients and high-net-worth private clients globally, as well as to retail clients in Switzerland. Credit Suisse is headquartered in Zurich and operates in over 50 countries worldwide. The group employs approximately 48,200 people. The registered shares (CSGN) of Credit Suisse's parent company, Credit Suisse Group AG, are listed in Switzerland and, in the form of American Depositary Shares (CS), in New York. Further information about Credit Suisse can be found at www.credit-suisse.com.

A “Shareholder Information − Summary Document” containing a more detailed description of the option to receive the distribution in new shares is available to shareholders of Credit Suisse Group. The conditions for the exercise of the scrip alternative, including possible restrictions to its availability to some Credit Suisse Group shareholders, will be specified in such “Shareholder Information − Summary Document”. This media release does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, securities of Credit Suisse Group, nor shall it (or any part of it) or the fact of its distribution form the basis of, or be relied on in connection with, any contract therefor. This media release does not constitute a prospectus within the meaning of any applicable law. Eligible shareholders should make their decision to receive a cash distribution or to receive new shares of Credit Suisse Group as part of the 2015 distribution solely based on the terms and conditions of the 2015 distribution and the additional information contained in the relevant documents. This media release does not represent a recommendation to shareholders to elect to receive new shares of Credit Suisse Group as part of the 2015 distribution. Eligible shareholders are furthermore advised to consult their bank, tax or financial advisor before making any decision.

**Cautionary statement regarding forward-looking information**
This press release contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:
– our plans, objectives or goals;
– our future economic performance or prospects;
– the potential effect on our future performance of certain contingencies; and
– assumptions underlying any such statements.

Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:
– the ability to maintain sufficient liquidity and access capital markets;
– market volatility and interest rate fluctuations and developments affecting interest rate levels;
– the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2016 and beyond;

- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs, and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;

- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings, and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk factors” in chapter I – Information on the company in our Annual Report 2015.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

CREDIT SUISSE GROUP AG and CREDIT SUISSE AG
(Registrants)

By: /s/ Christian Schmid
Christian Schmid
Managing Director

/s/ Claude Jehle
Claude Jehle
Director

Date: March 24, 2016