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**Base Listing Document relating to
Non-collateralised Structured Products to be issued by**

CREDIT SUISSE 

Credit Suisse AG

(incorporated under the laws of Switzerland)

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **listing rules**) for the purpose of giving information with regard to us and our derivative warrants (**warrants**), callable bull/bear contracts (**CBBCs**) and other structured products (warrants, CBBCs and such other structured products are collectively, **structured products**) to be listed on the stock exchange from time to time. This document may be updated and/or amended from time to time by way of addenda. You must ask us if any addenda to this document have been issued.

We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The structured products involve derivatives. Do not invest in them unless you fully understand and are willing to assume the risks associated with them.

You are warned that the prices of structured products may fall in value as rapidly as they may rise and you may sustain a total loss of your investment. You should therefore ensure that you understand the nature of the structured products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before you invest in any structured products.

The structured products constitute general unsecured contractual obligations of us as the Issuer and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase any structured products, you are relying upon the creditworthiness of us, and have no rights under such structured products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index or any company constituting the underlying index. If we become insolvent or default on our obligations under the structured products, you may not be able to recover all or even part of the amount due under the structured products (if any).

Sponsor and Manager

Credit Suisse (Hong Kong) Limited

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IMPORTANT INFORMATION

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or invitation to the public to subscribe for or to acquire any structured products.

What documents should you read before investing in the structured products?

A supplemental listing document will be issued on the issue date of each series of structured products, which will include detailed commercial terms of the relevant series.

You must read this document (including any addendum to this document to be issued from time to time) together with such supplemental listing document (including any addendum to such supplemental listing document to be issued from time to time) (together, the **listing documents**) before investing in any structured product. You should carefully study the risk factors set out in the listing documents.

Is there any guarantee or collateral for the structured products?

No. Our obligations under the structured products are neither guaranteed by any third party, nor collateralised with any of our assets or other collaterals. When you purchase our structured products, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the structured products, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the structured products (if any).

What are the Issuer's credit ratings?

The Issuer's long-term credit ratings are:

<i>Rating agency</i>	<i>Ratings as at the day immediately preceding the date of this document</i>
Moody's Investors Service, Inc., New York (" Moody's ")	A1 (Rating under Review for downgrade)
Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (" S&P ")	A (negative outlook)
Fitch Ratings (" Fitch ")	A (stable outlook)

The long-term credit ratings are only an assessment by the credit rating agencies of the Issuer's overall financial capacity to pay its debts.

A1 is among the top three major credit rating categories and is the fifth highest investment-grade ranking of the ten investment-grade credit ratings (including 1, 2 and 3 sub-grades) assigned by Moody's.

A is among the top three major credit rating categories and is the sixth highest investment-grade ranking of the ten investment-grade credit ratings (including + or - sub-grades) assigned by S&P.

A is among the top three major credit rating categories and is the sixth highest investment-grade ranking of the ten investment-grade credit ratings (including + or - sub-grades) assigned by Fitch.

Please refer to the brief guide in appendix 7 to this document to what such credit ratings mean.

Rating agencies usually receive a fee from the companies that they rate. When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

- (a) a credit rating is not a recommendation to buy, sell or hold the structured products;
- (b) ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- (c) a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the above date are for reference only. Any downgrading of our ratings could result in a reduction in the value of the structured products;
- (d) a credit rating is not an indication of the liquidity or volatility of the structured products; and
- (e) a credit rating may be downgraded if the credit quality of the Issuer declines.

The structured products are not rated. The Issuer's credit ratings and credit rating outlooks are subject to change or withdrawal at any time within each rating agency's sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to the Issuer's ratings and outlooks from time to time.

Is the Issuer regulated by the Hong Kong Monetary Authority referred in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

We are regulated by the Hong Kong Monetary Authority as a registered institution. We are also, amongst others, regulated by the Swiss Financial Market Supervisory Authority and the Swiss National Bank.

Is the Issuer subject to any litigation?

Except as disclosed in the section headed "Legal Proceedings Information extracted from Credit Suisse annual report 2014" set out in appendix 6 of this document, we and our affiliates are not involved in any litigation, claims or arbitration proceedings which are material in the context of the issue of the structured products. Also, we are not aware of any proceedings or claims which are threatened or pending against us or our affiliates.

Has our financial position changed since last financial year-end?

Except as disclosed in the section headed "Our financial statements extracted from Credit Suisse annual report 2014" set out in appendix 5 of this document, there has been no material adverse change in our financial position since 31 December 2014. You may access our latest publicly available financial information by visiting our website at www.credit-suisse.com.

Do you need to pay any transaction cost?

The stock exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission (SFC) charges a transaction levy of 0.0027 per cent. in respect of each transaction effected on the stock exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the structured products. The levy for the investor compensation fund is currently suspended.

Do you need to pay any tax?

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of your purchase in addition to the issue price of each structured product. See the section headed "Taxation" for further information.

Authorised representatives and acceptance of service

Our authorised representatives are Ken Pang and Sylvia So, both of Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Credit Suisse (Hong Kong) Limited (presently at Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) has been authorised to accept, on our behalf, service of process and any other notices required to be served on us.

Where can you inspect the relevant documents?

You may inspect copies of the following documents during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Credit Suisse (Hong Kong) Limited, (presently at Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong):

- (a) the consent letters from KPMG AG (our **auditors**) in relation to the inclusion of their three reports on our (i) consolidated financial statements; (ii) the effectiveness of internal control over financial reporting and (iii) the compensation report of Credit Suisse Group AG in this document;
- (b) annual report 2014 of Credit Suisse Group AG & Credit Suisse AG (**Credit Suisse annual report 2014**);
- (c) this document and any addenda or successor document to this document;
- (d) the supplemental listing document as long as the relevant series of structured products is listed on the stock exchange; and
- (e) a Chinese translation of each of the listing documents.

Request for photocopies of the above documents will be subject to a reasonable fee which reflects the costs of making such copies.

The listing documents are also available on the website of the HKEx at www.hkexnews.hk and our website at http://warrants-hk.credit-suisse.com/en/home_e.cgi.

各上市文件亦可於香港交易所披露易網站 (www.hkexnews.hk) 以及本公司網站 http://warrants-hk.credit-suisse.com/home_c.cgi 瀏覽。

Have our auditors consented to the inclusion of their reports in this document?

Our auditors have given and have not withdrawn their written consents dated 15 April 2015 regarding the inclusion of their three reports and/or the references to their name in this document, in the form and context in which they are included. Their three reports were not prepared for incorporation in this document. Our auditors do not have any shareholding in us, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities.

Placing and sale and grey market dealings

No action has been taken to permit a public offering of structured products or the distribution of this document in any jurisdiction where action would be required for such purposes. The distribution of this document and the offering of any structured products may, in certain jurisdictions, be restricted by law. You must inform yourself of and observe all such restrictions. See the section headed "Placing and Sale" in this document for further details.

Following the launch of a series of structured products, we may place all or part of that series with our related party.

The structured products may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in structured products by us and/or any of our subsidiaries or associated companies in the grey market to the stock exchange on the listing date through the website of HKEx at www.hkexnews.hk.

The listing documents are not the sole basis for making your investment decision

The listing documents do not take into account your investment objectives, financial situation or particular needs. The listing documents are not intended to provide the basis of any credit or other evaluation and should not be considered as a

recommendation by us or the sponsor, that you should purchase any of the structured products or the underlying asset of the structured products. We do not imply that there has been no change in the information set out in this document since its publication date.

No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the structured products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

HKEx, the stock exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any structured products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

Governing law of the structured products

All contractual documentation for the structured products will be governed by, and construed in accordance with, the laws of Hong Kong.

How can you get further information about us or the structured products?

You may visit www.credit-suisse.com to obtain further information about us and/or the structured products.

Undefined terms

Unless otherwise specified, terms not defined in this document have the meanings given to them in the general conditions set out in appendix 1 of this document and the relevant product conditions applicable to the relevant series of structured products set out in appendix 2 and appendix 3 of this document (together, **conditions**).

OVERVIEW OF WARRANTS

What is a derivative warrant?

A derivative warrant linked to a share, a unit, an index or other asset (each an **underlying asset**) is an instrument which gives the holder a right to “buy” or “sell” the underlying asset at, or derives its value by reference to, a pre-set price or level called the exercise price or strike level on the expiry date (as the case may be). It usually costs a fraction of the price or level of the underlying asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our warrants are European style warrants. This means they can only be exercised on the expiry date.

Our warrants will be exercised on the expiry date, entitling you to a cash amount called the **cash settlement amount** (if positive) according to the conditions applicable to our warrants.

For cash settled warrants, you will receive the cash settlement amount (net of exercise expenses) upon expiry. If the cash settlement amount is equal to or less than the exercise expenses, no amount is payable to you upon expiry of your warrants and you will lose all of your investment in the structured products.

How do our warrants work?

Ordinary warrants

The potential payoff of an ordinary warrant is calculated by reference to the difference between:

- (a) for a warrant linked to a share or a unit, the exercise price and the closing price(s) of such share or unit on the valuation dates or each valuation date (**average price**); or
- (b) for a warrant linked to an index, the strike level and the closing level of such index on the valuation date,

each as described more in the applicable product conditions set out in parts A, B, C and D of appendix 2 of this document.

Call warrants

A call warrant is suitable for an investor holding a bullish view of the price or level of the underlying asset during the term of the warrant.

A call warrant will be exercised if the average price or the closing level is greater than the exercise price or the strike level (as the case may be). The more the average price or the closing level is greater than the exercise price or the strike level (as the case may be), the higher the payoff upon expiry. If the average price or the closing level (as the case may be) is equal to or less than the exercise price or the strike level (as the case may be), an investor in the call warrant will lose all of his investment.

Put warrants

A put warrant is suitable for an investor holding a bearish view of the price or level of the underlying asset during the term of the warrant.

A put warrant will be exercised if the average price or the closing level is less than the exercise price or the strike level (as the case may be). The more the average price or the closing level is less than the exercise price or the strike level (as the case may be), the higher the payoff upon expiry. If the average price or the closing level is equal to or greater than the exercise price or the strike level (as the case may be), an investor in the put warrant will lose all of his investment.

Other types of warrants

The supplemental listing document applicable to other types of warrants will specify the type of such warrants and whether such warrants are ordinary or exotic warrants.

Further details relating to how a particular series of warrants work will be set out in the relevant supplemental listing document.

Where can you find the general conditions and the product conditions applicable to our warrants?

You should review the general conditions and the product conditions applicable to each type of the warrants before your investment.

The general conditions are set out in appendix 1 of this document and the product conditions applicable to each type of our warrants are set out in appendix 2 of this document (as may be supplemented by any addendum or the relevant supplemental listing document).

What are the factors determining the price of a derivative warrant?

The price of a warrant generally depends on the prevailing price or level of the underlying asset. However, the price of a warrant will be influenced by a number of factors throughout the warrant term, including:

- (a) the exercise price or the strike level of the derivative warrants;
- (b) the liquidity of the futures contracts relating to the underlying asset;
- (c) the liquidity of the underlying asset;
- (d) the value and volatility of the price or level of the underlying asset (being a measure of the fluctuation in the price or level of the underlying asset over time);
- (e) the time remaining to expiry: generally, the longer the remaining life of the derivative warrant, the greater its value;
- (f) the interim interest rates and expected dividend payments or other distributions on the underlying asset or on any components comprising the index;
- (g) the supply and demand for that warrant;
- (h) the prevailing exchange rate between the underlying currency of the underlying asset and the settlement currency of the derivative warrants (if applicable);
- (i) our related transaction costs; and/or
- (j) our creditworthiness.

What is your maximum loss?

Your maximum loss in our warrants will be limited to your investment amount plus any transaction costs.

How can you get information about the warrants after issue?

You may visit the website of HKEx at <http://www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm> to obtain further information on derivative warrants or any notice given by us or the stock exchange in relation to our warrants.

OVERVIEW OF CBBCS

What are CBBCs?

CBBCs are a type of structured products that track the performance of an underlying asset. CBBCs can be issued on different types of underlying assets as prescribed by the stock exchange from time to time, including:

- (a) shares or unit trusts listed on the stock exchange;
- (b) Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index; and/or
- (c) overseas securities, overseas indices, currencies or commodities (such as oil, gold and platinum).

A list of eligible underlying assets for CBBCs is available on the website of the HKEx at http://www.hkex.com.hk/eng/prod/secprod/cbbc/underlying_latest.htm.

CBBCs are issued either as bull CBBCs or bear CBBCs, allowing you to take either bullish or bearish positions on the underlying asset. Bull CBBCs are designed for investors who have an optimistic view on the underlying asset. Bear CBBCs are designed for investors who have a pessimistic view on the underlying asset.

CBBCs have a mandatory call feature (the **mandatory call event**) and, subject to the limited circumstances set out in the relevant conditions in which a mandatory call event may be reversed, we must terminate our CBBCs upon the occurrence of a mandatory call event. See “What are the mandatory call features of CBBCs?” below for further information.

There are 2 categories of CBBCs, namely:

- (a) category R CBBCs; and
- (b) category N CBBCs.

Your entitlement following the occurrence of a mandatory call event will depend on the category of the CBBCs. See “Category R CBBCs vs. category N CBBCs” below for further information.

If no mandatory call event occurs, the CBBCs will be exercised automatically on the expiry date. The cash settlement amount (if any)

payable at expiry represents the difference between the closing price or the closing level of the underlying asset on the valuation date and the strike price or the strike level.

What are the mandatory call features of CBBCs?

Mandatory call event

Subject to the limited circumstances set out in the relevant conditions in which a mandatory call event may be reversed, we must terminate the CBBCs if a mandatory call event occurs. A mandatory call event occurs if the spot price or the spot level of the underlying asset is:

- (a) at or below the call price or the call level (in the case of a bull CBBC); or
- (b) at or above the call price or the call level (in the case of a bear CBBC), at any time during the observation period.

For CBBCs over underlying assets traded or quoted locally, the observation period starts from and includes the observation commencement date of the relevant CBBCs and ends on and includes the trading day immediately preceding the expiry date.

Subject to the limited circumstances set out in the relevant conditions in which a mandatory call event may be reversed and such modification and amendment as may be prescribed by the stock exchange from time to time:

- (a) all trades in the CBBCs concluded after the time at which the mandatory call event occurs; and
- (b) where the mandatory call event occurs during a pre-opening session or closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades of the CBBCs concluded after the end of the pre-order matching period in such session,

will be invalid and cancelled, and will not be recognised by us or the stock exchange.

The time at which a mandatory call event occurs will be determined by reference to:

- (a) (in the case of CBBCs over single equities or CBBCs over single unit trusts listed on the stock exchange) the stock exchange's automatic order matching and execution system time at which the spot price is at or below the call price (for a series of bull CBBCs) or is at or above the call price (for a series of bear CBBCs);
- (b) (in the case of CBBCs over index quoted on the stock exchange) the time the relevant spot level is published by the index compiler at which the spot level is at or below the call level (for a series of bull CBBCs) or is at or above the call level (for a series of bear CBBCs); or
- (c) (in the case of CBBCs over other underlying assets), the time as specified in the relevant supplemental listing document,

subject to the rules and requirements as prescribed by the stock exchange from time to time.

Category R CBBCs vs. category N CBBCs

The supplemental listing document for the relevant series of CBBCs will specify whether the CBBCs are category R CBBCs or category N CBBCs.

Category R CBBCs refer to CBBCs for which the call price or the call level is different from the strike price or the strike level. In respect of a series of category R CBBCs, you may receive a cash payment called the **residual value** upon the occurrence of a mandatory call event. The amount of the residual value payable (if any) is calculated by reference to:

- (a) (in the case of a bull CBBC) the difference between the minimum trade price or the minimum index level and the strike price or the strike level of the underlying asset; and
- (b) (in the case of a bear CBBC) the difference between the strike price or the strike level and the maximum trade price or the maximum index level of the underlying asset.

Category N CBBCs refer to CBBCs for which the call price or the call level is equal to their

strike price or the strike level. In respect of a series of category N CBBCs, you will not receive any cash payment following the occurrence of a mandatory call event.

You must read the applicable conditions and the relevant supplemental listing document to obtain further information on the calculation formula of the residual value applicable to category R CBBCs.

You may lose all of your investment in a particular series of CBBCs if:

- (a) in the case of a series of bull CBBCs, the minimum trade price or the minimum index level of the underlying asset is equal to or less than the strike price or the strike level; or
- (b) in the case of a series of bear CBBCs, the maximum trade price or the maximum index level of the underlying asset is equal to or greater than the strike price or the strike level.

Where can you find the general conditions and the product conditions applicable to our CBBCs?

You should review the general conditions and the product conditions applicable to the CBBCs before you invest.

The general conditions are set out in appendix 1 of this document and the product conditions applicable to our CBBCs are set out in appendix 3 of this document (as may be supplemented by any addendum or the relevant supplemental listing document).

How is the funding cost calculated?

The issue price of a CBBC is set by reference to (a) the difference between the initial reference spot price or spot level of the underlying asset as at the launch date of the CBBC and the strike price or the strike level, plus (b) if applicable, a funding cost.

The issue price of a CBBC includes the initial funding cost (if any) and the initial funding cost applicable to the CBBCs as of the launch date will be specified in the relevant supplemental listing document for the relevant series.

The funding cost is an amount determined by us based on a number of factors, including but not limited to the strike price or the strike

level, the prevailing interest rate and, for CBBCs over single equities or CBBCs over single unit trusts, the expected dividend or distribution yield in respect of the underlying asset.

Further details about the funding cost applicable to a series of CBBCs will be described in the relevant supplemental listing document.

Do you own the underlying asset?

CBBCs convey no interest in the underlying asset. We may choose not to hold the underlying asset or any derivatives contracts linked to the underlying asset. There is no restriction through the issue of the CBBCs on our ability to sell, pledge or otherwise convey all right, title and interest in any underlying asset or any derivatives products linked to the underlying asset.

What are the factors determining the price of a CBBC?

The price of a CBBC tends to mirror the movement in the value of the underlying asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one underlying asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

- (a) the strike price or the strike level and the call level or the call price;
- (b) the likelihood of the occurrence of a mandatory call event;
- (c) for category R CBBCs only, the probable range of the residual value payable upon the occurrence of a mandatory call event;
- (d) probable range of cash settlement amount;
- (e) the time remaining to expiry;
- (f) the interim interest rates and expected dividend payments or other distribution on the underlying asset or on any components comprising the underlying index;
- (g) the supply and demand for the CBBCs;

- (h) the liquidity of future contracts relating to the underlying index;
- (i) our related transaction costs; and/or
- (j) our creditworthiness.

What is your maximum loss?

Your maximum loss in the CBBCs will be limited to your investment amount plus any transaction costs.

How can you get information about the CBBCs after issue?

You may visit the website of HKEx at <http://www.hkex.com.hk/eng/prod/secprod/cbbc/Intro.htm> to obtain further information on CBBCs or any notice given by us or the stock exchange in relation to our CBBCs.

TAXATION

The information below is of a general nature and is only a summary of the law and practice currently applicable in Switzerland, Hong Kong and the United States of America. The comments relate to the position of persons who are the absolute beneficial owners of the structured products and may not apply equally to all persons. If you are in any doubt as to your tax position on purchase, ownership, transfer or exercise of any structured product, you should consult your own tax advisers as to the Swiss, Hong Kong or the United States of America laws or other tax consequences of the acquisition, ownership and disposition of structured products, including, in particular, the effect of any foreign, state or local tax laws to which you are subject.

Taxation in Switzerland

Gain on sale or redemption

Under present Swiss law, a holder of structured products who is neither a resident of Switzerland nor whose transactions in the structured products are attributable to a permanent establishment within Switzerland during the taxable year will not be subject to any Swiss Federal, Cantonal or Municipal income or other tax on gains realised during that year on the holding, sale, redemption or exercise of a structured product.

Stamp tax

No stamp tax will arise in Switzerland in connection with the issue or sale of the structured products provided that no Swiss Bank or Swiss securities dealer is involved as a counterparty or an intermediary. Swiss stamp tax will not be payable on the exercise of a structured product provided that the structured product is not exercised by or through a Swiss Bank or a Swiss securities dealer.

Taxation in Hong Kong

Profits tax

No tax is payable in Hong Kong by withholding or otherwise in respect of:

- (a) dividends of any company;
- (b) distributions of any trust authorised as a collective investment scheme by the SFC under section 104 of the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong) or otherwise approved by the SFC which has issued the underlying units; and
- (c) any capital gains, arising on the sale of the underlying securities or structured products, except that Hong Kong profits

tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

Stamp duty

You do not need to pay any stamp duty in respect of purely cash settled structured products.

Where Hong Kong stock is to be delivered, stamp duty will normally be payable since any person who effects a sale or purchase of **Hong Kong stock**, such term as defined in the Stamp Duty Ordinance (Cap 117, The Laws of Hong Kong), whether as principal or as agent and whether such transaction is effected in Hong Kong or elsewhere, is required to execute a contract note evidencing such sale or purchase and have such contract note stamped with Hong Kong stamp duty.

Taxation in United States of America

United States Tax Consequences

Substitute Dividend and Dividend Equivalent Payments

The US tax code and regulations thereunder treat a “dividend equivalent” payment as a dividend from sources within the United States. Under the U.S. tax code, unless reduced by an applicable tax treaty with the United States, such payments generally will be subject to U.S. withholding tax. A “dividend equivalent” payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a “specified notional principal contract” (a “**specified NPC**”) that (directly or indirectly) is contingent upon, or determined

by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in the preceding clauses (i) and (ii). For payments made before January 1, 2016, the regulations provide that a specified NPC is any NPC if (a) in connection with entering into the contract, any long party to the contract transfers the underlying security to any short party to the contract, (b) in connection with the termination of the contract, any short party to the contract transfers the underlying security to any long party to the contract, (c) the underlying security is not readily tradable on an established securities market, or (d) in connection with entering into the contract, the underlying security is posted as collateral by any short party to the contract with any long party to the contract.

Proposed regulations provide that a dividend equivalent is (i) any payment of a substitute dividend made pursuant to a securities lending or sale-repurchase transaction that references the payment of a dividend from an underlying security, (ii) any payment made pursuant to a specified NPC that references the payment of a dividend from an underlying security, (iii) any payment made pursuant to a specified equity-linked instrument (a “**specified ELI**”) that references the payment of a dividend from an underlying security, or (iv) any other substantially similar payment. An underlying security is any interest in an entity taxable as a domestic corporation if a payment with respect to that interest could give rise to a U.S. source dividend. An ELI is a financial instrument (other than a securities lending or sale-repurchase transaction or an NPC) or combination of financial instruments that references one or more underlying securities to determine its value, including a futures contract, forward contract, option, contingent payment debt instrument, or other contractual arrangement. For payments made after December 31, 2015, a specified NPC is any NPC that has a delta of 0.70 or greater with respect to an underlying security at the time of acquisition. A specified ELI is any ELI issued on or after 90 days after the date the proposed regulations are finalized that has a delta of 0.70 or greater with respect to an underlying security at the time of acquisition. The delta of an NPC or ELI is the ratio of the change in the fair market value of the contract to the change in the fair market value of the property referenced by the contract. If an NPC or ELI references more than one underlying security, a separate delta must be determined

with respect to each underlying security without taking into account any other underlying security or other property or liability. If an NPC (or ELI) references more than one underlying security, the NPC (or ELI) is a specified NPC (or specified ELI) only with respect to underlying securities for which the NPC (or ELI) has a delta of 0.70 or greater at the time that the long party acquires the NPC (or ELI). The proposed regulations provide an exception for qualified indices that satisfy certain criteria; however, it is not entirely clear how the proposed regulations will apply to securities that are linked to certain indices or baskets. The proposed regulations provide that a payment includes a dividend equivalent payment whether there is an explicit or implicit reference to a dividend with respect to the underlying security.

We will treat any portion of a payment or deemed payment on the securities (including, if appropriate, the payment of the purchase price) that is substantially similar to a dividend as a dividend equivalent payment, which will be subject to U.S. withholding tax unless reduced by an applicable tax treaty and a properly executed IRS Form W-8 (or other qualifying documentation) is provided. If withholding applies, we will not be required to pay any additional amounts with respect to amounts withheld. The proposed regulations are complex. Non-U.S. Holders should consult their tax advisors regarding the U.S. federal income tax consequences to them of these proposed regulations and whether payments or deemed payments on the securities constitute dividend equivalent payments.

Securities Held Through Foreign Entities

Under the Foreign Account Tax Compliance Act provisions of the Hiring Incentives to Restore Employment Act (“**FATCA**”) and recently finalized regulations, a 30% withholding tax is imposed on “withholdable payments” and certain “passthru payments” made to “foreign financial institutions” (as defined in the regulations or an applicable intergovernmental agreement) (and their more than 50% affiliates) unless the payee foreign financial institution agrees, among other things, to disclose the identity of any U.S. individual with an account at the institution (or the institution’s affiliates) and to annually report certain information about such account. The term “withholdable payments” generally includes (1) payments of fixed or determinable annual or periodical gains, profits, and income (“**FDAP**”), in each case,

from sources within the United States, and (2) gross proceeds from the sale of any property of a type which can produce interest or dividends from sources within the United States. "Passthru payments" means any withholdable payment and any foreign passthru payment. FATCA also requires withholding agents making withholdable payments to certain foreign entities that do not disclose the name, address, and taxpayer identification number of any substantial U.S. owners (or certify that they do not have any substantial United States owners) to withhold tax at a rate of 30%. If payments on the securities are determined to be from sources within the United States, we will treat such payments on the securities as withholdable payments for these purposes.

Withholding under FATCA will apply to all withholdable payments and certain passthru payments without regard to whether the beneficial owner of the payment is a U.S. person, or would otherwise be entitled to an exemption from the imposition of withholding tax pursuant to an applicable tax treaty with the United States or pursuant to U.S. domestic law. Unless a foreign financial institution is the beneficial owner of a payment, it will be subject to refund or credit in accordance with the same procedures and limitations applicable to other taxes withheld on FDAP payments provided that the beneficial owner of the payment furnishes such information as the IRS determines is necessary to determine whether such beneficial owner is a United States owned foreign entity and the identity of any substantial United States owners of such entity. If such withholding applies, we will not be required to pay any additional amounts with respect to amounts withheld.

Pursuant to the recently finalized regulations and Internal Revenue Service Notice 2013-43, and subject to the exceptions described below, FATCA's withholding regime generally will apply to (i) withholdable payments (other than gross proceeds of the type described above) made after June 30, 2014 (other than certain payments made with respect to a "preexisting obligation," as defined in the regulations); (ii) payments of gross proceeds of the type described above with respect to a sale or disposition occurring after December 31, 2016; and (iii) foreign passthru payments made after the later of December 31, 2016, or the date that final regulations defining the term "foreign passthru payment" are published. Notwithstanding the foregoing, the provisions of FATCA discussed above

generally will not apply to (a) any obligation (other than an instrument that is treated as equity for U.S. tax purposes or that lacks a stated expiration or term) that is outstanding on July 1, 2014 (a "**grandfathered obligation**"); (b) any obligation that produces withholdable payments solely because the obligation is treated as giving rise to a dividend equivalent pursuant to US tax code section 871(m) and the regulations thereunder that is outstanding at any point prior to six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents; and (c) any agreement requiring a secured party to make payments with respect to collateral securing one or more grandfathered obligations (even if the collateral is not itself a grandfathered obligation). Thus, if you hold your securities through a foreign financial institution or foreign entity, a portion of any of your payments, may be subject to 30% withholding.

U.S. Federal Estate Tax Treatment

The securities may be subject to U.S. federal estate tax if an individual holds a security at the time of his or her death. The gross estate of a holder domiciled outside the United States includes only property situated in the United States. Holders should consult their tax advisors regarding the U.S. federal estate tax consequences of holding the securities at death.

Backup Withholding

A holder of the securities may be subject to backup withholding with respect to certain amounts paid to such holder unless it provides a correct taxpayer identification number, complies with certain certification procedures establishing that it is not a U.S. Holder or establishes proof of another applicable exemption, and otherwise complies with applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. You can claim a credit against your U.S. federal income tax liability for amounts withheld under the backup withholding rules, and amounts in excess of your liability are refundable if you provide the required information to the IRS in a timely fashion. If such withholding applies, we will not be required to pay any additional amounts with respect to amounts withheld.

PLACING AND SALE

General

We have not taken, and will not take, any action that would permit a public offering of the structured products or possession or distribution of any offering material in relation to the structured products in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any structured products, or distribution of any offering material relating to the structured products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on us. In the event that we contemplate a placing, placing fees may be payable in connection with any issue and we may at our discretion allow discounts to placees.

United States of America

The Securities have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act and applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of structured products which are the subject of the offering contemplated by this Base Listing Document as completed by the relevant supplemental listing document in relation thereto to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors

as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

- (c) in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of structured products shall require the Issuer or any dealer to publish a prospectus pursuant to article 3 of the Prospectus Directive.

For the purposes of this provision, the expression relating to an “**offer of structured products to the public**” in relation to any structured products in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the structured products to be offered so as to enable an investor to decide to purchase or subscribe the structured products, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each dealer has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of the structured products in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any structured products in, from or otherwise involving the United Kingdom.

RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of the structured products. Please consider all risks carefully prior to investing in any structured products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the structured products. Please read the following section together with the risk factors set out in the relevant supplemental listing document.

General risks relating to us

We are not the ultimate holding company of the group

We are not the ultimate holding company of the group to which we belong and with which our name is identified. The ultimate holding company of the group to which we belong is Credit Suisse Group AG.

Non-collateralised structured products

The structured products are not secured on any of our assets or any collateral. Each series of structured products constitutes our general unsecured contractual obligations and of no other person and will rank equally with our other unsecured contractual obligations. At any given time, the number of our structured products outstanding may be substantial.

Repurchase of our structured products

We may repurchase structured products at any time from time to time in the private market or otherwise at a negotiated price or the prevailing market price, at our discretion. You should not therefore make any assumption as to the number of structured products in issue at any time.

Our creditworthiness

If you purchase our structured products, you are relying upon our creditworthiness and have no rights under the structured products against:

- (a) any company which issues the underlying shares;
- (b) the trustee or the manager of the underlying unit; or
- (c) the index compiler of the underlying index.

We do not guarantee the repayment of your investment in any structured products. If we become insolvent or default on our obligations under the structured products, you can only claim as our unsecured creditor regardless of the performance of the underlying asset and you may not be able to recover all or even part of the amount due under the structured products (if any).

Any downgrading of our rating by our rating agencies could result in a reduction in the value of the structured products.

No deposit liability or debt obligation

We are obliged to deliver to you the cash settlement amount or the entitlement (as the case may be) under the conditions applicable to the relevant structured products upon expiry or exercise. We do not intend (expressly, implicitly or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any structured product.

Conflicts of interest

Credit Suisse Group AG constitutes a diversified financial services group with relationships in countries around the world. We engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for our own account or the account of others. In addition, Credit Suisse Group AG, in connection with our other business activities, may possess or acquire material information about any underlying assets. Such activities and information may involve or otherwise affect the issuers of the underlying assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with our issue of structured products. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. Credit Suisse Group AG has no obligation to disclose such information about the

underlying assets, baskets of shares and/or indices or such activities. Credit Suisse Group AG and our respective officers and directors may engage in any such activities without regard to our issue of structured products or the effect that such activities may directly or indirectly have on any structured product. In the ordinary course of our business, including without limitation in connection with us or our appointed liquidity provider's market making activities, Credit Suisse Group AG may effect transactions for our own account or for the account of our customers and hold long or short positions in the underlying assets or related derivatives. In addition, in connection with the offering of any structured product, we or any member of Credit Suisse Group AG may enter into one or more hedging transactions with respect to the underlying assets or related derivatives. In connection with such hedging or market making activities or with respect to proprietary or other trading activities by us or any member of Credit Suisse Group AG, we may enter into transactions in the underlying assets or related derivatives which may affect the market price, liquidity or value of the structured products and which may affect your interests in the structured products.

In particular, you should note that we issue a large number of financial instruments, including the structured products, on a global basis. The number of such financial instruments outstanding at any time may be substantial. We have substantially no obligation to any holder of the structured products other than to pay amounts in accordance with the applicable conditions and in the relevant supplemental listing document. We do not in any respect underwrite or guarantee the performance of any structured product. Any profit or loss realised by you in respect of a structured product upon exercise or otherwise due to changes in the value of such structured product, or the price or level of the underlying asset, is solely for your own account. In addition, we have the absolute discretion to put in place any hedging transaction or arrangement which we consider appropriate in connection with any structured products or the applicable underlying asset. A reduction in our rating, if any, accorded to our outstanding debt securities by any one of our rating agencies could result in a reduction in the trading value of the structured products.

General risks relating to structured products

You may lose all your investment in the structured product

Structured products involve a high degree of risk, and are subject to a number of risks which may include interest, foreign exchange, time value, market, and/or political risks. Structured products may expire worthless.

Options warrants and asset linked instruments are priced primarily on the basis of the price or level of the underlying asset, the volatility of the underlying asset's price or level and the time remaining to expiry of the structured product.

The prices of structured products may fall in value as rapidly as they may rise and you should be prepared to sustain a significant or a total loss of your investment in the structured products. Assuming all other factors are held constant, the more the price or level of the underlying asset of a structured product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or a significant part of your investment.

Our structured products are European style and they are only exercisable on their respective expiry dates and may not be exercised by you prior to the relevant expiry date. Accordingly, if on such expiry date the cash settlement amount (net of exercise expenses) is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a structured product means that, in order to recover and realise a return upon your investment in the structured products, you must generally be correct about the direction, timing and magnitude of an anticipated change in the price or level of the underlying asset.

Changes in the price or level of an underlying asset can be unpredictable, sudden and large and such changes may result in the price or level of the underlying asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment if the price or level of the relevant underlying asset does not move in the anticipated direction.

The value of the structured products may be disproportionate or opposite to movement in price or level of the underlying assets

An investment in structured products is not the same as owning the underlying asset or having a direct investment in the underlying asset. The market values of structured products are linked to the relevant underlying assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. For example, for a call warrant, it is possible that while the price or level of the underlying assets is increasing, the value of the structured product is falling.

You should recognise the risks of utilising structured products if you intend to purchase any series of structured products to hedge against the market risk associated with investing in the relevant underlying asset. The value of the structured products may not exactly correlate with the price or level of the underlying asset. Due to fluctuations in supply and demand for structured products, there is no assurance that their value will correlate with movements in the price or level of the underlying asset. The structured products may not be a perfect hedge to the underlying asset or portfolio of which the underlying asset forms a part.

Furthermore, it may not be possible to liquidate the structured products at a price or level which directly reflects the price or level of the underlying asset or portfolio of which the underlying asset forms a part. You may therefore suffer substantial losses in the structured products notwithstanding any losses suffered with respect to investments in or exposures to any underlying assets.

Possible illiquidity of secondary market

It is not possible to predict:

- (a) if and to what extent a secondary market may develop in any series of structured products;
- (b) at what price such series of structured products will trade in the secondary market; and
- (c) whether such market will be liquid or illiquid.

The fact that the structured products are listed does not necessarily lead to greater liquidity than if they were not listed.

We intend to apply to list each series of structured products on the stock exchange. There can be no assurance that the listing of a series of structured products at the stock exchange can be maintained.

If any series of structured products are not listed or traded on any exchange, pricing information for such series of structured products may be difficult to obtain and the liquidity of that series of structured products may be adversely affected.

The liquidity of any series of structured products may also be affected by restrictions on offers and sales of the structured products in some jurisdictions. Transactions in off-exchange structured products may be subject to greater risks than dealing in exchange-traded structured products. To the extent that any structured products of a series is exercised or closed out, the number of structured products outstanding in that series will decrease, which may result in a lessening of the liquidity of structured products. A lessening of the liquidity of the affected series of structured products may cause, in turn, an increase in the volatility associated with the price of such structured products.

We, acting through our liquidity provider, may be the only market participant for the structured products. Therefore, the secondary market for the structured products may be limited. We and our liquidity provider may at any time purchase the structured products at any price in the open market or by tender or private agreement, subject to the requirements under the listing rules relating to the provision of liquidity, as described further in the relevant supplemental listing document. The more limited the secondary market is for any particular series of the structured products, the more difficult for you to realise the value of your structured products prior to the expiration date.

Interest rates

Investments in the structured products may involve interest rate risk with respect to the currency of denomination of the underlying assets and/or the structured products. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors.

Such fluctuations may have an impact on the value of the structured products at any time prior to valuation of the underlying assets relating to the structured products.

Exchange rate risk

There may be an exchange rate risk in the case of structured products where the cash settlement amount will be converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation.

Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the structured products. Fluctuations in the exchange rates of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies. There can be no assurance that rates of exchange between any relevant currencies which are current at the date of issue of any structured products will be representative of the rates of exchange used in computing the value of the relevant structured products at any time thereafter.

Where structured products are described as being “quantoed”, the value of the underlying assets will be converted from one currency (the **original currency**) into a new currency (the **new currency**) on the date and in the manner specified in, or implied by, the applicable conditions using a fixed exchange rate. The cost to us of maintaining such a fixing between the original currency and the new currency will have an implication on the value of the structured products, which will vary during the term of the structured products. No assurance can be given as to whether or not, taking into account relative exchange rates and interest rate fluctuations between the original currency and the new currency, a quanto feature in a structured product would at any time enhance the return on the structured product over a level of a similar structured product issued without such a quanto feature.

Taxes

You may be required to pay stamp duty or other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities change from time to time.

Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See the section headed “Taxation” for further information.

Modification to the conditions

Under the conditions, we may without your consent, effect any modification of terms and conditions of the structured products or the global certificate which, in our opinion, is:

- (a) not materially prejudicial to the interests of the holder of the structured products generally (without considering the circumstances of any individual holder or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) is necessary in order to comply with any mandatory provisions of the laws or regulations of Hong Kong.

Possible early termination for illegality or impracticability

If we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, it has become or it will become illegal or impracticable for us to perform our obligations under the structured products in whole or in part as a result of our compliance with any applicable law, we may terminate the structured products. In such event, we will, if and to the extent permitted by applicable law, pay an amount calculated by us in good faith and in a commercially reasonable manner to be the fair market value of the structured products prior to such termination notwithstanding the illegality or impracticability less our cost of unwinding any related hedging arrangements. Such amount may be substantially less than your initial investment and may be zero.

Risks relating to the underlying asset

You have no right to the underlying asset

Unless specifically indicated in the conditions, you will not be entitled to:

- (a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the shares or units would normally be entitled to; or
- (b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in the structured products involve valuation risk in relation to the relevant underlying asset. The price or level of the underlying asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions (where the underlying asset is a share), changes in computation or composition (where the underlying asset is an index), macro economic factors and market trends.

You must be experienced with dealing in these types of structured products and must understand the risks associated with dealing in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any structured product in light of your particular financial circumstances, the information regarding the relevant structured product and the particular underlying asset to which the value of the relevant structured product relates.

Adjustment related risk

Certain events relating to the underlying asset require or, as the case may be, permit us to make certain adjustments or amendments to the conditions. You have limited anti-dilution protection under the conditions. We may, in our sole discretion adjust, among other things, the entitlement, the exercise price, the call price (if applicable) or any other terms (including without limitation the average price or the closing level of the underlying asset) of any series of structured product. However, we are not required to adjust for every event that may affect an underlying asset, such as changes in computation or composition

(where the underlying asset is an index), macro economic factors or market trends that affect the underlying asset, in which case the market price of the structured products, and the return upon the expiry of the structured products may be affected.

For structured products linked to an index, the index level may be published by the index compiler at a time when one or more components comprising the index are not trading. If this occurs on a valuation date and there is no market disruption event called under the conditions, then the closing level of the index may be calculated by the index compiler by reference to the remaining components. In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method.

Suspension of trading

If the underlying assets are suspended from trading or dealing for whatever reason on the market on which they are listed or dealt in (including the stock exchange), trading in the relevant series of structured products will be suspended for a similar period. The value of the structured products will decrease over time as the length of the period remaining to expiration becomes shorter. You should note that in the case of a prolonged suspension period, the market price of the structured products will be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the structured products. This may adversely affect your investment in the structured products.

Delay in settlement

Unless otherwise specified in the relevant conditions, there may be a time lag between the date on which the structured products expire, and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the expiry of such structured products arising from our determination that a market disruption event, settlement disruption event or delisting of a company has occurred at any relevant time or that adjustments are required in accordance with the conditions.

The relevant settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount.

You should note that in the event of there being a settlement disruption event or a market disruption event, payment of the cash settlement amount may be delayed as more fully described in the conditions.

Risks relating to structured products over trusts

General risks

In the case of structured products which relate to the units of a trust:

- (a) neither we nor any of our affiliates have the ability to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee nor the manager of the relevant trust (i) is involved in the offer of any structured product in any way, or (ii) has any obligation to consider the interest of the holders of any structured product in taking any corporate action that might affect the value of any structured product; and
- (b) we have no role in the relevant trust. The manager of the relevant trust is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant trust. The manner in which the relevant trust is managed and the timing of actions may have a significant impact on the performance of the relevant trust. Hence, the market price of the relevant units is also subject to these risks.

Exchange traded funds

In the case of structured products linked to units of an exchange traded fund (**ETF**), you should note that:

- (a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;
- (b) there may be disparity between the performance of the ETF and the performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and
- (c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the structured products will also be indirectly subject to these risks.

Synthetic exchange traded funds

Additionally, where the underlying asset comprises the units of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track (**Synthetic ETF**), you should note that:

- (a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the Synthetic ETF. Even if the Synthetic ETF has collateral to reduce the counterparty risk, there

may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral; and

- (b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of structured products linked to such ETF or Synthetic ETF.

RQFII A-share ETF (RQFII ETF)

An RQFII ETF is denominated in Renminbi (**RMB**) issued and traded outside Mainland China with direct investment in the Mainland China's A-share markets through the RMB Qualified Foreign Institutional Investor (**RQFII**) regime. Where the underlying asset comprises the units of an RQFII ETF, you should note that, amongst others:

- (a) the novelty and untested nature of an RQFII ETF make it riskier than traditional ETFs investing directly in more developed markets. The policy and rules for RQFII prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to its implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of the relevant trust and the trading price of the relevant units;
- (b) as disclosed in its offering documents, an RQFII ETF primarily invests in securities traded in the Mainland China's A-share markets and is subject to concentration risk. Investment in the Mainland China's A-share markets (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of an RQFII ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets; and

- (c) an RQFII ETF will utilise its manager's RQFII quota allocated to such fund under the RQFII regime. In the event that RQFII quota allocated to the RQFII ETF is reached and the manager is unable to acquire additional RQFII quota for the RQFII ETF, the manager may need to suspend creation of further units of the RQFII ETF, and therefore may affect liquidity in unit trading of the RQFII ETF. In such event, the trading price of a unit of the RQFII ETF is likely to be at a significant premium to its net asset value, and may be highly volatile.

The above risks may have a significant impact on the performance of the relevant RQFII ETF and hence the market price of structured products linked to such RQFII ETF.

Please read the offering documents of the relevant RQFII ETF to understand its key features and risks.

RQFII ETF traded through dual counters model

Where the underlying asset comprises the units of an RQFII ETF which adopts the dual counters model for trading its units on the stock exchange in RMB and Hong Kong dollars (**HKD**) separately, the novelty and relatively untested nature of the stock exchange's dual counters model may bring the following additional risks:

- (a) the structured products may be linked to the HKD-traded units or the RMB-traded units. If the underlying asset is the HKD-traded units, movements in the trading prices of the RMB-traded units should not directly affect the price of the structured products. Similarly, if the underlying asset is the RMB-traded units, movements in the trading prices of the HKD-traded units should not directly affect the price of the structured products;
- (b) if there is a suspension of inter-counter transfer of such units between the HKD counter and the RMB counter for any reason, such units will only be able to be traded in the relevant currency counter on the stock exchange, which may affect the demand and supply of such units and have an adverse effect on the price of the structured products; and

- (c) the trading prices on the stock exchange of the HKD-traded units and RMB-traded units may deviate significantly due to different factors, such as market liquidity, RMB conversion risk, supply and demand in each counter and the exchange rate between RMB and HKD. Changes in the trading price of the underlying asset in HKD or RMB (as the case may be) may adversely affect the price of the structured products.

Real estate investment trust (REIT)

Where the underlying asset comprises the units of a REIT, you should note that the investment objective of a REIT is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the REIT against those of other equity securities; (f) the future size and liquidity of the market for the units and the REIT market generally; (g) any future changes to the regulatory system, including the tax system and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel.

The above risks may have a significant impact on the performance of the relevant REIT and hence the market price of structured products linked to such REIT.

Risks relating to our warrants

Time decay

The settlement amount of a series of warrants at any time prior to expiration may be less than the trading price of such warrants at that time. The difference between the trading price or level and the settlement amount will reflect, among other things, a “time value” of the warrants. The “time value” of the warrants will depend upon, among others, the length of the period remaining to expiration and expectations concerning the range of possible future price or level of the underlying assets. The value of the warrants is likely to decrease over time.

Therefore, the warrants should not be viewed as products for long term investments.

Risks relating to our CBBCs

You may lose all or substantially all of your investment upon the occurrence of a mandatory call event

CBBCs are not suitable for all types of investors. You should not invest in the CBBCs unless you understand the nature of the CBBCs and are prepared to lose all or substantially all of your investment in the CBBCs. The CBBCs will be terminated upon the occurrence of a mandatory call event and you will not be able to benefit from your investment in the CBBCs even if the performance of the underlying asset recovers subsequent to the occurrence of the mandatory call event. When a mandatory call event occurs, payoff for a category N CBBC will be zero and for a category R CBBC, you may lose all of your investment or receive a small amount of residual value payment. Please refer to the section headed “Overview of CBBCs” for more information.

Correlation between the price of a CBBC and the price or level of the underlying asset

When the underlying asset of a CBBC is trading at a price or level close to its call price or call level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate with the change in the price or level of the underlying asset.

Mandatory call event is irrevocable

A mandatory call event is irrevocable unless it is triggered as a result of any of the following events:

- (a) system malfunction or other technical errors of the stock exchange (such as the setting up of wrong call price or call level and other parameters) and such event is reported by the stock exchange to us and we and the stock exchange mutually agree that such mandatory call event is to be revoked; or
- (b) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the index level by the index compiler) and such event is reported by us to the stock exchange and we and the stock exchange mutually agree that such mandatory call event is to be revoked,

in each case, such mutual agreement must be reached no later than the time specified in the relevant supplemental listing document or such other time as prescribed by the stock exchange from time to time. Upon revocation of the mandatory call event, trading of the CBBCs will resume and any trade cancelled after such mandatory call event will be reinstated.

Delay in announcements of a mandatory call event

The stock exchange will notify the market as soon as practicable after the CBBC has been called upon the occurrence of a mandatory call event. You must however be aware that there may be delay in the announcement of a mandatory call event due to technical errors or system failures and other factors that are beyond our control or the control of the stock exchange.

Non-recognition of post MCE trades

The stock exchange and its recognised exchange controller, HKEx, shall not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and, without regard to the circumstances giving rise to any purported claim (except in the case of wilful misconduct on the part of the stock exchange and/or HKEx)) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or

damage suffered or incurred by us or any other party arising from or in connection with the mandatory call event or the suspension of trading (**trading suspension**) or the non-recognition of trades after a mandatory call event (**non-recognition of post MCE trades**), including, without limitation, any delay, failure, mistake or error in the trading suspension or non-recognition of post MCE trades.

We and our affiliates shall not have any responsibility towards you for any losses suffered as a result of the trading suspension and/or non-recognition of post MCE trades in connection with the occurrence of a mandatory call event, the resumption of trading of the CBBCs or reinstatement of any post MCE trades cancelled as a result of the reversal of any mandatory call event, notwithstanding that such trading suspension and/or non-recognition of post MCE trades occur as a result of an error in the observation of the event.

Residual value will not include residual funding cost

In respect of category R CBBCs, the residual value (if any) payable by us following the occurrence of a mandatory call event will not include the residual funding cost for the CBBCs. You will not receive any residual funding cost back from us upon early termination of a category R CBBC following the occurrence of a mandatory call event.

Our hedging activities may adversely affect the price or level of the underlying asset

We and/or any of our affiliates may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the underlying asset (whether for risk reduction purposes or otherwise). In addition, in connection with the offering of any CBBCs, we and/or any of our affiliates may enter into one or more hedging transactions with respect to the underlying asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us and/or any of our affiliates, we and/or any of our affiliates may enter into transactions in the underlying asset which may affect the market price, liquidity or price or level of the underlying asset and/or the value of CBBCs and which could be deemed to be adverse to your interests. We and/or any

of our affiliates are likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the underlying asset or in derivatives linked to the underlying asset. Further, it is possible that the advisory services which we or any of our affiliates provide in the ordinary course of our business could lead to an adverse impact on the value of the underlying asset.

Unwinding of hedging arrangements

Our or our affiliates' trading and/or hedging activities related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price or level of the underlying asset and may trigger a mandatory call event. In particular, when the underlying asset is trading close to the call price or the call level, our unwinding activities may cause a fall or rise (as the case may be) in the trading price or level of the underlying asset, leading to a mandatory call event as a result of such unwinding activities.

In respect of category N CBBCs, we or our affiliates may unwind any hedging transactions entered into by us in relation to the CBBCs at any time even if such unwinding activities may trigger a mandatory call event.

In respect of category R CBBCs, before the occurrence of a mandatory call event, we or our affiliates may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from time to time. Upon the occurrence of a mandatory call event, we or our affiliates may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a mandatory call event may affect the trading price or level of the underlying asset and consequently the residual value for the CBBCs.

Possible early termination for hedging disruption

If we determine that a hedging disruption event has occurred, we may at our absolute discretion terminate the CBBCs. In such event, we will, if and to the extent permitted by applicable law, pay an amount calculated by us to be the fair market value of the CBBCs prior to such termination less our cost of unwinding any related hedging arrangements.

Risks relating to the legal form of the structured products

Each series of structured products will be issued in global registered form and represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a CCASS participant).

The register for the relevant structured products will only record at all times that 100% of such structured products are held by HKSCC Nominees Limited, being the only legal owner. The evidence of your title, as well as the efficiency of ultimate delivery of the cash settlement amount (if any) under the structured products, will be subject to the CCASS Rules.

You should be aware of the following risks:

- (a) you will not receive any definitive certificates representing your beneficial interests in the structured products;
- (b) you may only refer to the records of CCASS or their brokers/custodians and the statements you receive to determine your beneficial interest in the structured products;
- (c) any notices, announcements and/or information relating to meetings in respect of the structured products will only be delivered to you through the CCASS participants in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time; and
- (d) our obligations under the conditions of the structured products will be duly performed by the payment of the cash settlement amount to HKSCC Nominees Limited as the registered holder of the structured products, all in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

Fee arrangements with brokers and conflicts of interest of brokers

We may enter into fee arrangements with brokers and/or any of their affiliates with respect to the placement of the structured products in the primary market. You should note that any brokers with whom we have a fee arrangement does not, and cannot be expected to, deal exclusively in the structured products, therefore any broker and/or its subsidiaries or affiliates may from time to time engage in transactions involving the underlying assets and/or the structured products of other issuers over the same underlying assets to which the particular series of structured products may relate, or other underlying assets as the case may be, for their proprietary accounts and/or for the accounts of their clients. The fact that the same broker may deal simultaneously for different clients in competing products in the market place may affect the value of the structured products and present certain conflicts of interests.

Effect of the combination of risk factors unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of structured products such that the effect of any individual risk factor may not be predictable. No assurance can be given as to the effect any combination of risk factors may have on the value of a series of structured products.

GENERAL INFORMATION ABOUT US

Incorporation, registered office and objective

We were established on 5 July 1856 and registered in the Commercial Register of the Canton of Zurich on 27 April 1883 for an unlimited duration under the name of Schweizerische Kreditanstalt. Our name was changed to Credit Suisse First Boston on 11 December 1996 (by entry in the Commercial Register), effective as of 1 January 1997. Our name was then changed to Credit Suisse, effective as of 13 May 2005. Our name was further changed to Credit Suisse AG, effective as of 9 November 2009. We are a joint stock corporation established under Swiss law. Our share capital amounts to CHF 4,399,680,200, which is divided into 4,399,680,200 fully paid-up registered shares with a par value of CHF 1 each.

Members of our board of directors as of 14 April 2015*

Name	Office held	Office address
Urs Rohner	Chairman	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Jassim Bin Hamad J.J. Al-Thani	Director	Qatar Islamic Bank (QIB) Grand Hamad Avenue P.O. Box 559 Doha, Qatar
Noreen Doyle	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Andreas N. Koopmann	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Jean Lanier	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Kaikhushru Shiavax Nargolwala	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Anton van Rossum	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Richard E. Thornburgh	Director	Corsair Capital LLC 717 Fifth Avenue, 24th Floor New York, 10022 USA

Name	Office held	Office address
John Tiner	Director	23 Savile Row, London W1S 2ET, UK
Iris Bohnet Zürcher	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Jean-Daniel Gerber	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Severin Anton Schwan	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland
Sebastian Thrun	Director	Credit Suisse Group AG Paradeplatz 8 8070 Zurich Switzerland

* The composition of the boards of directors of Credit Suisse Group AG and Credit Suisse AG is identical.

ERISA matters

We and certain of our affiliates may each be considered a “party in interest” within the meaning of the Employee Retirement Income Security Act of 1974, as amended (**ERISA**), or a “disqualified person” within the meaning of the United States Internal Revenue Code of 1986, as amended (the **code**) with respect to many employee benefit plans and individual retirement accounts, Keoghs and other plans subject to section 4975 of the code.

Certain transactions between an employee benefit plan and a party in interest or disqualified person may result in “prohibited transactions” within the meaning of ERISA and the code. Accordingly, structured products may not be purchased or held with the assets of (a) an “employee benefit plan” as defined in section 3(3) of ERISA, (b) a “plan” as defined in section 4975 of the code, or (c) an entity whose underlying assets include “plan assets” under US Department of Labor Regulation 29 CFR section 2510.3-101.

Credit Suisse Group AG and Credit Suisse AG

The United States Securities and Exchange Commission (“**SEC**”) filings of Credit Suisse Group AG (the “**Group**”) and Credit Suisse AG (“**CS**”), which may contain their annual and current reports, including interim financial information, or other relevant information, as filed with the SEC from time to time. The SEC filings of the Group and CS are available on the SEC’s website at www.sec.gov and on the Group’s website at www.credit-suisse.com.

APPENDIX 1 — GENERAL CONDITIONS OF THE STRUCTURED PRODUCTS

These General Conditions relate to each series of Structured Products and must be read in conjunction with, and are subject to, the relevant Product Conditions set out in Appendix 2 and Appendix 3 to this Base Listing Document and the relevant Supplemental Listing Document in relation to the particular series of Structured Products. These General Conditions, the relevant Product Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document together constitute the Conditions of the relevant Structured Products, and will be endorsed on the Global Certificate representing the relevant Structured Products. The relevant Supplemental Listing Document in relation to the issue of any series of Structured Products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these General Conditions and the relevant Product Conditions, replace or modify these General Conditions and the relevant Product Conditions for the purpose of such series of Structured Products.

1. Definitions

“Applicable Law” means any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power;

“Base Listing Document” means the base listing document relating to Structured Products dated 15 April 2015 and issued by the Issuer (including any addenda to such base listing document issued by the Issuer from time to time);

“Board Lot” has the meaning given to it in the relevant Supplemental Listing Document;

“Cash Settlement Amount” has the meaning given to it in the relevant Product Conditions;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“CCASS Settlement Date” has the meaning ascribed to the term “Settlement Date” in the CCASS Rules, subject to such modification and amendment presented by Hong Kong Securities Clearing Company Limited from time to time;

“Conditions” means, in respect of a particular series of Structured Products, these General Conditions and the applicable Product Conditions;

“CS Hong Kong” means Credit Suisse (Hong Kong) Limited, which expression shall include any successors to Credit Suisse (Hong Kong) Limited for the purposes of maintaining the Register;

“Global Certificate” means, in respect of the relevant Structured Products, a global certificate by way of deed poll dated the Issue Date executed by the Issuer;

“HKEx” means Hong Kong Exchanges and Clearing Limited;

“Holder” means, in respect of each series of Structured Products, each person who is for the time being shown in the Register as entitled to a particular number of Structured Products and such person shall be treated by the Issuer and CS Hong Kong as the absolute owner and holder of such number of Structured Products;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Issue Date” means the date specified as such in the relevant Supplemental Listing Document;

“Issuer” means Credit Suisse AG;

“Product Conditions” means, in respect of each series of Structured Product, the product specific terms and conditions that apply to that Structured Product;

“Register” means the register in respect of the Structured Products maintained by the Registrar under General Condition 3;

“Register Maintenance Agreement” means:

- (a) in respect of Warrants and CBBCs, the base register maintenance agreement and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document) dated 23 April 2003 as supplemented by a Confirmation (as defined in such Register Maintenance Agreement) relating to the Structured Products made between, inter alia, the Issuer and CS Hong Kong; or
- (b) in respect of other structured products, the agreement specified as such in the relevant Supplemental Listing Document;

“Registrar” means CS Hong Kong or such other party as specified in the relevant Supplemental Listing Document;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“Structured Products” means derivative warrants (**“Warrants”**), callable bull/bear contracts (**“CBBCs”**) and other structured products to be issued by the Issuer from time to time. References to **“Structured Products”** are to be construed as references to a particular series of Structured Products and, unless the context otherwise requires, include any further Structured Products issued pursuant to General Condition 9;

“Supplemental Listing Document” means the supplemental listing document relating to a particular series of Structured Products; and

“Transfer Office” means the specified office of CS Hong Kong or such other office as specified in the relevant Supplemental Listing Document.

2. Form, Status and Transfer

2.1 Form

The Structured Products are issued in registered form subject to and with the benefit of the Global Certificate and the relevant Register Maintenance Agreement. Copies of the Global Certificate and the relevant Register Maintenance Agreement are available for inspection at the Transfer Office.

The Holders are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Global Certificate and the relevant Register Maintenance Agreement.

2.2 Status

The Structured Products represent general, unsecured, contractual obligations of the Issuer and of no other person and rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

2.3 *Transfer*

Transfers of beneficial interests in the Structured Products may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

3. **Register and Transfer Office**

3.1 *Maintenance of Register*

- (a) In respect of each series of Structured Products, the Registrar will maintain a Register for that series.

The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar under the relevant Register Maintenance Agreement provided that it will at all times maintain or arrange for the maintenance of a Register.

Notice of any such termination or appointment and any change in the Transfer Office or the specified office of CS Hong Kong will be given to the Holders in accordance with General Condition 7.

- (b) The Registrar will enter or cause to be entered the name, address and banking details of the Holders, the details of the relevant series of Structured Products held by any Holder including the number of Structured Products held, and any other particulars which it thinks proper.
- (c) The Register will be maintained by the Registrar:
- (i) in respect of a series of Warrants and CBBCs, in Hong Kong; and
 - (ii) in respect of other Structured Products, at such location as the Issuer and the Registrar may agree and specified in the relevant Supplemental Listing Document.

3.2 *Registrar is the agent of the Issuer*

The Registrar for each series of Structured Products will be acting as the agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Holders.

4. **Purchases**

The Issuer and/or any of its respective affiliates may at any time purchase Structured Products at any price in the open market or by tender or by private treaty. Any Structured Products so purchased may be held or resold or surrendered for cancellation.

5. **Global Certificate**

Each series of the Structured Products is represented by a Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Holders will not be entitled to definitive certificates in respect of any Structured Products issued or transferred to them.

6. Meetings of Holders and Modifications to Conditions

6.1 Meetings of Holders

The relevant Register Maintenance Agreement contains provisions for the convening of meetings of the Holders to consider any matter affecting their interests, including sanctioning by Extraordinary Resolution (as defined in the relevant Register Maintenance Agreement) of a modification of the provisions of the Structured Products or of the Global Certificate.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the Structured Products for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Structured Products for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of Structured Products so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Holders being held if passed unanimously.

6.2 Modification

The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the Structured Products or the Global Certificate which, in the opinion of the Issuer, is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them by CS Hong Kong as soon as practicable thereafter in accordance with General Condition 7.

7. Notices

All notices to Holders will be validly given if published in English and in Chinese on the website of HKEx. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine.

8. Illegality or Impracticability

The Issuer is entitled to terminate the Structured Products if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Structured Products in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Structured Products due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Structured Product held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holders in accordance with General Condition 7.

9. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further Structured Products so as to form a single series with the Structured Products.

10. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under the Conditions will be made in good faith and in a commercially reasonable manner.

11. Governing Law

The Structured Products, the Global Certificate and the relevant Register Maintenance Agreement will be governed by and construed in accordance with the laws of Hong Kong.

The Issuer and each Holder (by its purchase of the Structured Products) shall be deemed to have submitted for all purposes in connection with the Structured Products, the Global Certificate and the relevant Register Maintenance Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

12. Language

In the event of any inconsistency between the Chinese translation and the English version of these General Conditions and/or the applicable Product Conditions, the English version of these General Conditions and/or the applicable Product Conditions shall prevail.

APPENDIX 2 — PRODUCT CONDITIONS OF THE WARRANTS

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PART A — PRODUCT CONDITIONS OF CALL/PUT WARRANTS OVER SINGLE EQUITIES (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“**Average Price**” means the arithmetic mean of the closing prices of one Share, as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

“**Company**” means the company specified as such in the relevant Supplemental Listing Document;

“**Designated Bank Account**” means the relevant bank account designated by the relevant Holder;

“**Entitlement**” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“**Exercise Price**” means the price specified as such in the relevant Supplemental Listing Document;

“**Expiry Date**” has the meaning given to it in the relevant Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Listing Date” means the date specified as such in the relevant Supplemental Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Number of Warrant(s) per Entitlement” means the amount specified as such in the relevant Supplemental Listing Document;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled call/put Warrants over single equities;

“Settlement Currency” means the currency specified as such in the relevant Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Shares” means the shares of the Company specified as such in the relevant Supplemental Listing Document; and

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

2. Warrant Rights and Exercise Expenses

2.1 Warrant Rights

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

2.2 Exercise Expenses

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

3.1 Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 Automatic Exercise

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3.3 Cancellation

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

3.4 Cash Settlement

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4. Adjustments

4.1 *Rights Issues*

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per new Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 **Bonus Issues**

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be adjusted on the Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Bonus Issue Adjustment Date.

4.3 **Subdivisions or Consolidations**

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 **Merger or Consolidation**

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

4.5 **Cash Distribution**

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

4.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.7 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

5. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6. Delisting

6.1 If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

6.3 The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

PART B — PRODUCT CONDITIONS OF INDEX CALL/PUT WARRANTS (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Board Lot:

(a) in respect of a series of call Warrants:

$$\frac{(\text{Closing Level} - \text{Strike Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate;

(b) in respect of a series of put Warrants:

$$\frac{(\text{Strike level} - \text{Closing Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate;

“Closing Level” has the meaning given to it in the relevant Supplement Listing Document, subject to the adjustment in accordance with Product Condition 4;

“Designated Bank Account” means the relevant bank account designated by the relevant Holder;

“Divisor” means the amount specified as such in the relevant Supplemental Listing Document;

“Exchange Rate” means the rate specified as such in the relevant Supplemental Listing Document;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” has the meaning given to it in the relevant Supplemental Listing Document;

“First Exchange Rate” means the rate specified as such in the relevant Supplemental Listing Document;

“General Conditions” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Index” means the index specified as such in the relevant Supplemental Listing Document;

“Index Compiler” has the meaning given to it in the relevant Supplemental Listing Document;

“Index Currency Amount” has the meaning given to it in the relevant Supplemental Listing Document;

“Index Exchange” has the meaning given to it in the relevant Supplemental Listing Document;

“Interim Currency” means the currency specified as such in the relevant Supplemental Listing Document;

“Listing Date” means the date specified as such in the relevant Supplemental Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

for the purposes of paragraph (a), (i) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (ii) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day or; (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or

- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in the Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Price Source**”, if applicable, has the meaning given to it in the relevant Supplemental Listing Document;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled index call/put Warrants;

“**Second Exchange Rate**” means the rate specified as such in the relevant Supplemental Listing Document;

“**Settlement Currency**” means the currency specified as such in the relevant Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

“**Settlement Disruption Event**” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“**Strike Level**” means the level specified as such in the relevant Supplemental Listing Document, subject to adjustment in accordance with Product Condition 4; and

“**Valuation Date**” means the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

2. Warrant Rights and Exercise Expenses

2.1 Warrant Rights

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3 the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

2.2 Exercise Expenses

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

3.1 Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 **Automatic Exercise**

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3.3 **Cancellation**

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

3.4 **Cash Settlement**

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4. **Adjustments to the Index**

4.1 **Successor Index Compiler Calculates and Reports Index**

If the Index is (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer, or (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

4.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (b) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the closing level on the Valuation Date using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

4.3 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.4 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

PART C — PRODUCT CONDITIONS OF CALL/PUT WARRANTS OVER SINGLE UNIT TRUSTS (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“**Average Price**” means the arithmetic mean of the closing prices of one Unit, as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

“**Designated Bank Account**” means the relevant bank account designated by the relevant Holder;

“**Entitlement**” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“**Exercise Price**” means the price specified as such in the relevant Supplemental Listing Document;

“**Expiry Date**” has the meaning given to it in the relevant Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Listing Date**” means the date specified as such in the relevant Supplemental Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in: (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material; or
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Number of Warrant(s) per Entitlement” means the amount specified as such in the relevant Supplemental Listing Document;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled call/put Warrants over single unit trusts;

“Settlement Currency” means the currency specified as such in the relevant Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Trust” means the trust specified as such in the relevant Supplemental Listing Document;

“Unit” means the unit specified as such in the relevant Supplemental Listing Document; and

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

2. Warrant Rights and Exercise Expenses

2.1 Warrant Rights

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

2.2 Exercise Expenses

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

3.1 Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 Automatic Exercise

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3.3 Cancellation

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

3.4 Cash Settlement

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4. Adjustments

4.1 *Rights Issues*

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjustment Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of on the Stock Exchange on the last Business Day on which the Units are traded on a cum-Rights basis

R: Subscription price per new Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 **Bonus Issues**

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be adjusted on the Business Day on which trading in the Units of the Trust becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Bonus Issue Adjustment Date.

4.3 **Subdivisions or Consolidations**

If and whenever the Trust shall subdivide its Units or any class of its outstanding units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding units into a smaller number of units (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 **Merger or Consolidation**

If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving trust in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

4.5 **Cash Distribution**

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date.

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

4.6 **Other Adjustments**

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.7 **Notice of Determinations**

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

5. **Termination or Liquidation**

- 5.1 In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time (“**Trustee**”) (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.
- 5.2 For the purpose of this Product Condition 5, “**Termination**” means (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) (“**Manager**”) is required to terminate the Trust under the trust deed (“**Trust Deed**”) constituting the Trust or applicable law, or the termination of the Trust commences; (b) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong).

6. Delisting

- 6.1 If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).
- 6.2 Without prejudice to the generality of Product Condition 6.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.
- 6.3 The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

PART D — PRODUCT CONDITIONS OF CALL/PUT WARRANTS OVER SINGLE FOREIGN EQUITIES (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“Average Price” means the arithmetic mean of the official closing prices of one Share, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(if applicable) converted from Underlying Currency into the Settlement Currency at the Exchange Rate

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(if applicable) converted from Underlying Currency into the Settlement Currency at the Exchange Rate

“Company” means the company specified as such in the relevant Supplemental Listing Document;

“Designated Bank Account” means the relevant bank account designated by the relevant Holder;

“Entitlement” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Exchange Rate” has the meaning given to it in the relevant Supplemental Listing Document;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Price” means the price specified as such in the relevant Supplemental Listing Document;

“Expiry Date” has the meaning given to it in the relevant Supplemental Listing Document;

“General Conditions” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Listing Date” means the date specified as such in the relevant Supplemental Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Underlying Exchange or otherwise) on the Underlying Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material; or
- (b) a closure of the Underlying Exchange or a disruption or limitation in trading on the Underlying Exchange due to any other unforeseen circumstances;

“Number of Warrant(s) per Entitlement” means the amount specified as such in the relevant Supplemental Listing Document;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled call/put Warrants over single foreign equities;

“Settlement Currency” means the currency specified as such in the relevant Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Shares” means the shares of the Company specified as such in the relevant Supplemental Listing Document; and

“Underlying Currency” has the meaning given to it in the relevant Supplemental Listing Document;

“Underlying Exchange” has the meaning given to it in the relevant Supplemental Listing Document;

“Underlying Exchange Business Day” means a day (excluding Saturdays, Sundays or public holidays) on which the Underlying Exchange is scheduled to open for dealings during its regular trading sessions;

“Valuation Date” means each of the five Underlying Exchange Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Underlying Exchange Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on an Underlying Exchange Business Day that is

already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the official closing price of the Shares on the first succeeding Underlying Exchange Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five official closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (a) the Underlying Exchange Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the official closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

2. Warrant Rights and Exercise Expenses

2.1 Warrant Rights

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

2.2 Exercise Expenses

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

3.1 Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 Automatic Exercise

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3.3 Cancellation

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

3.4 **Cash Settlement**

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4. **Adjustments**

4.1 **Rights Issues**

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Underlying Exchange Business Day on which trading in the Shares becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the official closing price of an existing Share on the Underlying Exchange on the last Underlying Exchange Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per new Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 **Bonus Issues**

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be adjusted on the Underlying Exchange Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Bonus Issue Adjustment Date.

4.3 **Subdivisions or Consolidations**

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 **Merger or Consolidation**

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Underlying Exchange Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

4.5 **Cash Distribution**

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s official closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Underlying Exchange Business Day on which trading in the Shares becomes entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The official closing price of the existing Share on the Underlying Exchange on the Underlying Exchange Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

4.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.7 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

5. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6. Delisting

6.1 If at any time the Shares cease to be listed on the Underlying Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

- 6.2 Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Underlying Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.
- 6.3 The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

APPENDIX 3 — PRODUCT CONDITIONS OF THE CBBCs

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PART A — PRODUCT CONDITIONS OF INDEX CALLABLE BULL/BEAR CONTRACTS (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Call Level**” means the level specified as such in the relevant Supplemental Listing Document, subject to any adjustments in accordance with Product Condition 5;

“**Cash Settlement Amount**” means, in respect of every Board Lot:

(a) following a Mandatory Call Event:

- (i) in respect of a series of Category R CBBCs, the Residual Value; or
- (ii) in respect of a series of Category N CBBCs, zero; and

(b) at expiry:

- (i) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{(\text{Closing Level} - \text{Strike Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate; and

- (ii) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{(\text{Strike Level} - \text{Closing Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate.

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Level is equal to the Strike Level;

“**Category R CBBCs**” means a series of CBBCs where the Call Level is different from the Strike Level;

“**Closing Level**” has the meaning given to it in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

“**Designated Bank Account**” means the relevant bank account designated by the relevant Holder;

“**Divisor**” means the amount specified as such in the relevant Supplemental Listing Document;

“**Exchange Rate**”, if applicable, means the rate specified as such in the relevant Supplemental Listing Document;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the CBBCs;

“**Expiry Date**” has the meaning given to it in the relevant Supplemental Listing Document;

“**First Exchange Rate**”, if applicable, means the rate specified as such in the relevant Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Index**” means the index specified as such in the relevant Supplemental Listing Document;

“**Index Business Day**” means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“**Index Compiler**” has the meaning given to it in the relevant Supplemental Listing Document;

“**Index Currency Amount**” has the meaning given to it in the relevant Supplemental Listing Document;

“**Index Exchange**” has the meaning given to it in the relevant Supplemental Listing Document;

“**Interim Currency**”, if applicable, means the currency specified as such in the relevant Supplemental Listing Document;

“**Listing Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**Mandatory Call Event**” occurs if the Spot Level at any time during an Index Business Day in the Observation Period is:

- (a) in the case of a series of bull CBBCs, at or below the Call Level; or
- (b) in the case of a series of bear CBBCs, at or above the Call Level;

“Market Disruption Event” means:

- (a) the occurrence or existence, on the Trading Day or Index Business Day during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

for the purposes of paragraph (a), (i) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (ii) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in the Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“Maximum Index Level” means, in respect of Category R CBBCs, the highest Spot Level of the Index during the MCE Valuation Period;

“MCE Valuation Period” means:

- (a) in respect of an Index Exchange located in Hong Kong, the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Index Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Index Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which the Spot Levels are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the 2nd Session during which Spot Levels are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such

postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available. In that case:

- (i) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (ii) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level published by the Index Compiler and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only; and

- (b) in respect of an Index Exchange located outside Hong Kong, the period specified in the relevant Supplemental Listing Document;

“Minimum Index Level” means, in respect of Category R CBBCs, the lowest Spot Level of the Index during the MCE Valuation Period;

“Observation Commencement Date” has the meaning given to it in the relevant Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Price Source”, if applicable, has the meaning given to it in the relevant Supplemental Listing Document;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled index callable bull/bear contracts;

“Residual Value” means, in respect of every Board Lot:

- (a) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{(\text{Minimum Index Level} - \text{Strike Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate; and

- (b) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate;

“Second Exchange Rate”, if applicable, means the rate specified as such in the relevant Supplemental Listing Document;

“Settlement Currency” means the currency specified as such in the relevant Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Spot Level” means:

- (a) if no Price Source is specified, the spot level of the Index as compiled and published by the Index Compiler; or
- (b) if a Price Source is specified, the spot level of the Index as published on the Price Source;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“Strike Level” means the level specified as such in the relevant Supplemental Listing Document, subject to adjustment in accordance with Product Condition 5;

“Trading Day” means the day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions; and

“Valuation Date” has the meaning given to it in the relevant Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

2. Hedging Disruption

2.1 **Notification:** The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with General Condition 7 if it determines that a Hedging Disruption Event has occurred. The notice shall specify the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Product Condition 2.3.

2.2 **Hedging Disruption Event:** A “**Hedging Disruption Event**” occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (including, without limitation, any hedging transaction with respect to options or futures relating to the Index, or any currency in which the components of the Index are denominated) (a “**Relevant Hedging Transaction**”) it deems necessary or desirable to hedge the Issuer’s obligations in respect of the CBBCs, or (Y) to freely realise, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the “**Affected Jurisdiction**”) or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

- (a) any material illiquidity in the market for the components comprising the Index;
- (b) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);
- (c) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or
- (d) the general unavailability of:
 - (i) market participants who will agree to enter into a Relevant Hedging Transaction; or
 - (ii) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

2.3 **Consequences:** The Issuer, in the event of a Hedging Disruption Event, may determine to:

- (a) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 7; or
- (b) make any other adjustment to the Product Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

3. CBBC Rights and Exercise Expenses

3.1 CBBC Rights

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 4, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

3.2 Exercise Expenses

On exercise of the CBBCs, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 4.

4. EXERCISE OF CBBCs

4.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

4.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is greater than zero (without notice being given to the Holders).

4.3 Mandatory Call Event

- (a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7.

Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
- (i) system malfunction or other technical errors of the Stock Exchange and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable (such as miscalculation of the index level by the Index Compiler) and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than the time specified in the relevant Supplemental Listing Document or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

4.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

4.5 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 4, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

4.6 Cancellation

The Issuer will procure that the Registrar will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be), remove from the Register the name of the person in respect of the CBBCs which (a) are the subject of a valid exercise in accordance with these Product Conditions or (b) have expired worthless, and thereby cancel the relevant CBBCs.

4.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be) in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4.8 Responsibility of Issuer and Registrar

None of the Issuer, the Registrar or their respective agents shall have any responsibility for (i) any errors or omissions in the calculation and dissemination of any variables published by a third party; and (ii) any errors or omissions in any calculation made by the Issuer pursuant to the Conditions (including the calculation of the Cash Settlement Amount) if such error or omission in calculation arises from the use of errors or omissions in any variables calculated, disseminated or published by a third party.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities, contracts, commodities or currencies comprising the Index.

4.9 *Liability of Issuer and Registrar*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Registrar shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

4.10 *Trading in the CBBCs*

Subject to Product Condition 4.3(b), trading in CBBCs on the Stock Exchange shall cease (a) immediately upon the occurrence of a Mandatory Call Event or (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session), whichever is the earlier.

5. *Adjustments to the Index*

5.1 *Successor Index Compiler Calculates and Reports Index*

If the Index is (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer, or (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

5.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (b) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the closing level on the Valuation Date using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

5.3 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

5.4 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

PART B — PRODUCT CONDITIONS OF CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.

1 Definitions

For the purposes of these Product Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Call Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) following a Mandatory Call Event:

- (i) in respect of a series of Category R CBBCs, the Residual Value; or
- (ii) in respect of a series of Category N CBBCs, zero; and

(b) at expiry:

- (i) in respect of a series of bull CBBCs, an amount equal to:

$$\frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

- (ii) in respect of a series of bear CBBCs, an amount equal to:

$$\frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

“**Closing Price**” means the official closing price of the Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments as may be necessary

to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date. If a Market Disruption Event occurs on each of the four Trading Days immediately following the scheduled Valuation Date, then the Issuer shall determine the Closing Price in accordance with the definition of “Valuation Date”;

“**Company**” means the company specified as such in the relevant Supplemental Listing Document;

“**Designated Bank Account**” means the relevant bank account designated by the relevant Holder;

“**Entitlement**” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the CBBCs;

“**Expiry Date**” has the meaning given to it in the relevant Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Listing Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**Mandatory Call Event**” occurs if the Spot Price of the Shares at any time during a Trading Day in the Observation Period is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price;

“**Market Disruption Event**” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in: (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Stock Exchange due to any other unforeseen circumstances;

“**Maximum Trade Price**” means, in respect of Category R CBBCs, the highest Spot Price of the Shares during the MCE Valuation Period;

“MCE Valuation Period” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the **“1st Session”**) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (**“2nd Session”**) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting for the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Stock Exchange following the 2nd Session during which Spot Prices are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the day on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Trading Day on the Stock Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only;

“Minimum Trade Price” means, in respect of Category R CBBCs, the lowest Spot Price of the Shares during the MCE Valuation Period;

“Number of CBBC(s) per Entitlement” means the amount specified as such in the relevant Supplemental Listing Document;

“Observation Commencement Date” has the meaning given to it in the relevant Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled callable bull/bear contracts over single equities;

“Residual Value” means, in respect of every Board Lot:

(a) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(b) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“Settlement Currency” means the currency specified as such in the relevant Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Shares” means the shares of the Company specified as such in the relevant Supplemental Listing Document;

“Spot Price” means:

(a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session of the Stock Exchange in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and

(b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (IEP) (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable) (as the case may be) in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“Strike Price” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

“Trading Day” means a day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“Trading Rules” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

“Valuation Date” means the Trading Day immediately preceding the Expiry Date unless the Issuer determines, in its sole and absolute discretion, that a Market Disruption Event

has occurred, then that day shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and
- (b) the Issuer shall determine the Closing Price on the basis of its good faith estimate of the price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

2. Hedging Disruption

2.1 **Notification:** The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with General Condition 7 if it determines that a Hedging Disruption Event has occurred. The notice shall specify the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Product Condition 2.3.

2.2 **Hedging Disruption Event:** A “**Hedging Disruption Event**” occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (a “**Relevant Hedging Transaction**”) it deems necessary or desirable to hedge the Issuer’s obligations in respect of the CBBCs or (Y) to freely realize, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the “**Affected Jurisdiction**”) or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

- (a) any material illiquidity in the market for the Shares;
- (b) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);
- (c) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or
- (d) the general unavailability of:
 - (i) market participants who will agree to enter into a Relevant Hedging Transaction; or
 - (ii) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

2.3 **Consequences:** The Issuer, in the event of a Hedging Disruption Event, may determine to:

- (a) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market

value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 7; or

- (b) make any other adjustment to the Product Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

3. CBBC Rights and Exercise Expenses

3.1 *CBBC Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 4, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

3.2 *Exercise Expenses*

On exercise of the CBBCs, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 4.

4. EXERCISE OF CBBCs

4.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

4.2 *Automatic exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is greater than zero (without notice being given to the Holders).

4.3 *Mandatory Call Event*

- (a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of the Stock Exchange and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than the time specified in the relevant Supplemental Listing Document or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

4.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

4.5 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 4, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

4.6 Cancellation

The Issuer will procure that the Registrar will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be), remove from the Register the name of the person in respect of the CBBCs which (a) are the subject of an exercise in accordance with these Product Conditions; or (b) have expired worthless, and thereby cancel the relevant CBBCs.

4.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be) in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4.8 Responsibility of Issuer and Registrar

None of the Issuer, the Registrar or their respective agents shall have any responsibility for (i) any errors or omissions in the calculation and dissemination of any variables published by a third party; and (ii) any errors or omissions in any

calculation made by the Issuer pursuant to the Conditions (including the calculation of the Cash Settlement Amount) if such error or omission in calculation arises from the use of errors or omissions in any variables calculated, disseminated or published by a third party.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Shares.

4.9 **Liability of Issuer and Registrar**

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Registrar shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

4.10 **Trading in the CBBCs**

Subject to Product Condition 4.3(b), trading in CBBCs on the Stock Exchange shall cease (a) immediately upon the occurrence of a Mandatory Call Event or (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session), whichever is the earlier.

5. **Adjustments**

5.1 **Rights Issues**

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per new Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded

to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

5.2 ***Bonus Issues***

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted on the Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issues Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

5.3 ***Subdivisions or Consolidations***

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

5.4 **Merger or Consolidation**

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 5.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

5.5 **Cash Distribution**

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

5.7 Notice of Determinations

All determinations made by the Issuer pursuant hereto shall be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

6. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

7. Delisting

7.1 *Adjustments following delisting*

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

7.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 7.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

PART C — PRODUCT CONDITIONS OF CALLABLE BULL/BEAR CONTRACTS OVER SINGLE UNIT TRUSTS (CASH SETTLED)

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Call Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) following a Mandatory Call Event:

(i) in respect of a series of Category R CBBCs, the Residual Value; or

(ii) in respect of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in respect of a series of bull CBBCs, an amount equal to:

$$\frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(ii) in respect of a series of bear CBBCs, an amount equal to:

$$\frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

“**Closing Price**” means the official closing price of the Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments as may be necessary

to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date. If a Market Disruption Event occurs on each of the four Trading Days immediately following the scheduled Valuation Date, then the Issuer shall determine the Closing Price in accordance with the definition of “Valuation Date”;

“**Designated Bank Account**” means the relevant bank account designated by the relevant Holder;

“**Entitlement**” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the CBBCs;

“**Expiry Date**” has the meaning given to it in the relevant Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Listing Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**Mandatory Call Event**” occurs if the Spot Price of the Units at any time during a Trading Day in the Observation Period is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price;

“**Market Disruption Event**” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in: (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Stock Exchange due to any other unforeseen circumstances;

“**Maximum Trade Price**” means, in respect of Category R CBBCs, the highest Spot Price of the Units during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd**

Session) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting for the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Stock Exchange following the 2nd Session during which Spot Prices are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the day on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Trading Day on the Stock Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only;

“Minimum Trade Price” means, in respect of Category R CBBCs, the lowest Spot Price of the Units during the MCE Valuation Period;

“Number of CBBC(s) per Entitlement” means the amount specified as such in the relevant Supplemental Listing Document;

“Observation Commencement Date” has the meaning given to it in the relevant Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled callable bull/bear contracts over single unit trusts;

“Residual Value” means, in respect of every Board Lot:

- (a) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

- (b) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“Settlement Currency” means the currency specified as such in the relevant Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Spot Price” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session of the Stock Exchange in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (IEP) (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable) (as the case may be) in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“Strike Price” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

“Trading Day” means a day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“Trading Rules” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

“Trust” means the trust specified as such in the relevant Supplemental Listing Document;

“Unit” means the unit specified as such in the relevant Supplemental Listing Document; and

“Valuation Date” means the Trading Day immediately preceding the Expiry Date unless the Issuer determines, in its sole and absolute discretion, that a Market Disruption Event has occurred, then that day shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and
- (b) the Issuer shall determine the Closing Price on the basis of its good faith estimate of the price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

2. Hedging Disruption

2.1 **Notification:** The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with General Condition 7 if it determines that a Hedging Disruption Event has occurred. The notice shall specify the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Product Condition 2.3.

2.2 **Hedging Disruption Event:** A **“Hedging Disruption Event”** occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (a **“Relevant Hedging Transaction”**) it deems necessary or desirable to hedge the Issuer’s obligations in respect of the CBBCs or (Y) to freely realize, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the **“Affected Jurisdiction”**) or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

- (a) any material illiquidity in the market for the Units;
- (b) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);
- (c) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or
- (d) the general unavailability of:
 - (i) market participants who will agree to enter into a Relevant Hedging Transaction; or
 - (ii) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

2.3 **Consequences:** The Issuer, in the event of a Hedging Disruption Event, may determine to:

- (a) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market

value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 7; or

- (b) make any other adjustment to the Product Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

3. CBBC Rights and Exercise Expenses

3.1 *CBBC Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 4, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

3.2 *Exercise Expenses*

On exercise of the CBBCs, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 4.

4. EXERCISE OF CBBCs

4.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

4.2 *Automatic exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is greater than zero (without notice being given to the Holders).

4.3 *Mandatory Call Event*

- (a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of the Stock Exchange and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than the time specified in the relevant Supplemental Listing Document or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

4.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

4.5 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 4, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

4.6 Cancellation

The Issuer will procure that the Registrar will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be), remove from the Register the name of the person in respect of the CBBCs which (a) are the subject of an exercise in accordance with these Product Conditions; or (b) have expired worthless, and thereby cancel the relevant CBBCs.

4.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be) in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4.8 Responsibility of Issuer and Registrar

None of the Issuer, the Registrar or their respective agents shall have any responsibility for (i) any errors or omissions in the calculation and dissemination of any variables published by a third party; and (ii) any errors or omissions in any

calculation made by the Issuer pursuant to the Conditions (including the calculation of the Cash Settlement Amount) if such error or omission in calculation arises from the use of errors or omissions in any variables calculated, disseminated or published by a third party.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.

4.9 **Liability of Issuer and Registrar**

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Registrar shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

4.10 **Trading in the CBBCs**

Subject to Product Condition 4.3(b), trading in CBBCs on the Stock Exchange shall cease (a) immediately upon the occurrence of a Mandatory Call Event or (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session), whichever is the earlier.

5. **Adjustments**

5.1 **Rights Issues**

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: The existing Entitlement immediately prior to the Rights Offer

S: cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a cum-Rights basis

R: Subscription price per new Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded

to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

5.2 ***Bonus Issues***

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issues Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: The existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

5.3 ***Subdivisions or Consolidations***

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto shall be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto shall be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

5.4 **Merger or Consolidation**

If it is announced that the Trust is to or may merge or consolidate with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving trust in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 5.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

5.5 **Cash Distributions**

No adjustment shall be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment shall be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Call Price and the Strike Price shall be adjusted to take effect on the Business Day on which trading in the Units becomes entitlement (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5.6 **Other Adjustments**

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

5.7 **Notice of Determinations**

All determinations made by the Issuer pursuant hereto shall be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

6. **Termination or Liquidation**

- 6.1 In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.
- 6.2 For the purpose of this Product Condition 6, “**Termination**” means (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) (“**Manager**”) is required to terminate the Trust under the trust deed (“**Trust Deed**”) constituting the Trust or applicable law, or the termination of the Trust commences; (b) the Trust is held or is conceded by the

Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong).

7. Delisting

7.1 *Adjustments following delisting*

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

7.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 7.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

APPENDIX 4 — OUR GENERAL INFORMATION EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2014

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the following sections from the Credit Suisse annual report 2014 in this appendix 4. References to the following page numbers in this appendix 4 are to the pages in the Credit Suisse annual report 2014 and not to the pages in this document.

- 1 Risk management (pages 126 - 160);
- 2 Board of Directors (pages 173 - 187);
- 3 Executive Board (pages 188 - 193);
- 4 Additional information (pages 194 - 195); and
- 5 Compensation (pages 196 - 228).

Risk management

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and continued to be a key focus area in 2014. During the year, we took additional steps to adapt our business and risk management practices to reflect changes in our operating environment. In addition, we restructured our risk organization to further strengthen the holistic risk coverage, effectiveness of risk governance and oversight.

KEY RISK DEVELOPMENTS

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

Cross-border matters

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

Ukraine crisis

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

Leveraged finance

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

Energy prices

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

Cyber-attacks

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

SNB decision to discontinue the minimum exchange rate

On January 15, 2015, the SNB decided to discontinue the minimum exchange rate of CHF 1.20 per euro and to lower the interest rate by 50 basis points to (0.75)% on sight deposits that exceed a certain threshold. It also decreased the target range for the three-month Swiss franc LIBOR. The immediate market impact was significant, with the Swiss franc significantly strengthening against the euro and other major currencies, the Swiss equity markets falling and interest rates further decreasing. We managed the market volatility and client flow at the time of the SNB decision without incurring material trading losses and without an immediate impact to our capital ratios.

RISK MANAGEMENT OVERSIGHT

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Our risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of our business planning process with strong involvement of senior management and the Board of Directors (Board).

To meet the challenges of a volatile market environment and changing regulatory frameworks, we are working to continuously strengthen risk management throughout the Group. We have comprehensive risk management processes and sophisticated control systems. We are working to limit the impact of negative developments that may arise by carefully managing risk concentrations.

Risk governance

Effective risk management begins with effective risk governance. Our risk governance framework is based on a "three lines of defense" governance model, where each line has a specific role and defined responsibilities and works in close collaboration to identify, assess and mitigate risks.

The first line of defense is the front office, which is responsible for pursuing suitable business opportunities within the strategic

risk objectives and compliance requirements of the Group, including primary responsibility for compliance with relevant legal and regulatory requirements and internal controls.

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

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

Our operations are regulated by authorities in each of the jurisdictions in which we conduct business. Central banks and other bank regulators, financial services agencies, securities agencies and exchanges and self-regulatory organizations are among the regulatory authorities that oversee our businesses. The Swiss Financial Market Supervisory Authority FINMA (FINMA) is our primary regulator providing global supervision.

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

Key management bodies and committees covering risk management matters

Group / Bank				
Board of Directors Audit Committee Risk Committee				
Chief Executive Officer Executive Board				
Capital Allocation & Risk Management Committee (CARMC)	Valuation Risk Management Committee (VARMC)	Risk Processes & Standards Committee (RPSC)	Reputational Risk & Sustainability Committee (RRSC)	
Divisions			Regions / Legal entities	
Private Banking & Wealth Management Risk Management Committee			<ul style="list-style-type: none"> ■ Risk boards and management committees for certain significant legal entities with independent governance and oversight ■ Responsible for assuring local regulatory compliance as well as defining local risk appetite 	
Investment Banking Risk Management Committee				

Our governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board, the Executive Board, their respective committees and the Group Chief Risk Officer (CRO) in accordance with their respective authority.

► Refer to "Board of Directors" and "Board Committees" in IV – Corporate Governance and Compensation – Corporate Governance for further information.

Board of Directors

The Board is responsible for our strategic direction, supervision and control, and for defining our overall tolerance for risk in the form of a risk appetite statement and overall risk limits. Overall risk limits are set by the Board in consultation with its Risk Committee.

The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of our risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits.

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. Additionally, the Audit Committee is responsible for monitoring the independence and performance of internal and external auditors.

Executive Board

The Executive Board is responsible for developing and implementing our strategic business plans, subject to approval by the Board. It further reviews and coordinates significant initiatives for the risk management function and establishes Group-wide risk policies. The Group CRO is a member of the Executive Board and represents the risk management function.

Executive Board committees

The Capital Allocation & Risk Management Committee (CARMC) is responsible for supervising and directing our risk profile, recommending risk limits at the Group level to the Risk Committee and the Board, establishing and allocating risk limits among the various businesses, and for developing measures, methodologies and tools to monitor and manage the risk portfolio. CARMC operates in three cycles with monthly meetings on a rotating basis. The asset & liability management cycle reviews the funding and balance sheet trends and activities, plans and monitors regulatory and business liquidity requirements and internal and regulatory capital adequacy. The market & credit risks cycle reviews risk exposures and concentrations, defines and implements risk

management strategies for the Group businesses and sets and approves risk limits within approved Board limits and other appropriate measures to monitor and manage the risk portfolio within the various Group businesses. In the market & credit risk cycle, the credit portfolio & provisions review committee, a sub-committee of CARMC, reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The internal control systems cycle monitors and analyzes significant legal and compliance risks, reviews and approves the business continuity program's alignment with the corporate strategy on an annual basis, sets limits, caps and triggers on specific businesses to control significant operational risk exposure, and reviews and assesses the appropriateness and efficiency of the internal control systems, particularly with regards to valuation risks and the new business approval process.

The Valuation Risk Management Committee (VARMC) is responsible for establishing policies regarding the valuation of certain material assets and the policies and calculation methodologies applied in the valuation process.

The Risk Processes & Standards Committee (RPSC) reviews major risk management processes, issues general instructions, standards and processes concerning risk management, approves material changes in market, credit and operational risk management standards, policies and related methodologies, and approves the standards of our internal models used for calculating regulatory capital requirements.

The Reputational Risk & Sustainability Committee (RRSC) sets policies and reviews processes and significant cases relating to reputational risks and sustainability issues. It also ensures compliance with our reputational and sustainability policies and oversees their implementation.

Divisional and legal entity risk management committees

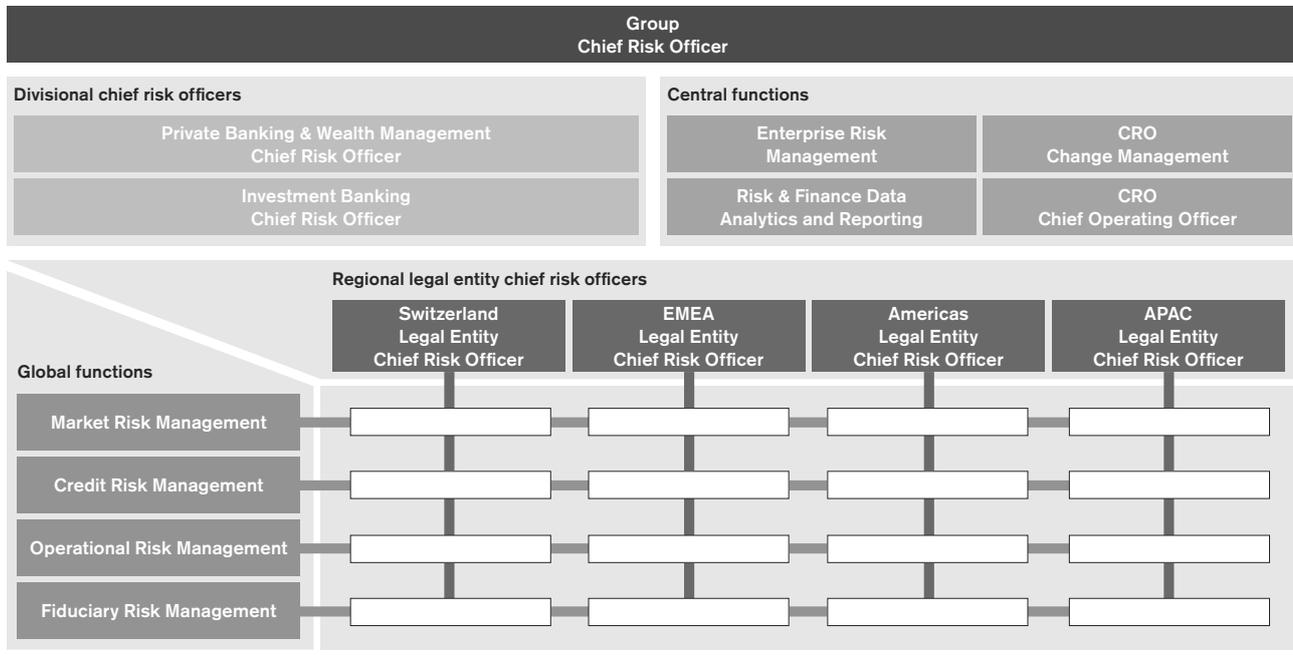
Divisional and legal entity risk management committees review risk, legal and compliance and internal control matters specific to the divisions and individual legal entities, respectively.

Risk organization

The risk management function is responsible for providing risk management oversight and establishing an organizational basis to manage risk matters.

Our risk organization has been restructured in light of the increasing complexity of the regulatory environment and the strong emphasis on legal entity considerations. A core mandate of the risk management function is to contribute to an effective and independent second line of defense.

Risk organization



The restructured risk management organization was developed in the second half of 2014, it became effective in January 2015 and its implementation continues during 2015. The key elements of the risk organization include:

Matrix structure

Our matrix structure reflects the Group's business strategy and emphasizes the Group's legal entity considerations.

The global functions comprise market, credit, operational and fiduciary risk management, and they are accountable for functional risk oversight and the limit framework both at global and local legal entity level. They are also responsible for functional models, methodologies and policies and function-related regulatory change.

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

Enterprise Risk Management

The Enterprise Risk Management central function, with its head directly reporting to the Group CRO, strengthens holistic risk

coverage. By consolidating our cross-functional and cross-business risk initiatives in Enterprise Risk Management, we enhance effectiveness and harmonize our overarching risk framework and concepts. The Enterprise Risk Management mandate is focused on the overarching risk framework including risk appetite and stress testing, Group risk reporting, model risk management, risk-related regulatory management and coordination of our reputational risk-related activities.

Divisional chief risk officers

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

Other central functions

Risk & Finance Data Analytics and Reporting provides consistent reporting production, analytics and data management shared with finance functions. CRO Change Management is responsible for the portfolio of strategic change programs across the risk management function. The CRO's chief operating officer facilitates business management within the risk management function.

Risk culture

We base our business operations on conscious and disciplined risk-taking. We believe that independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of our stakeholders. Our risk culture is supported by the following principles:

- Our risk management policies set out authorities and responsibilities for taking and managing risks;
- We establish a clear risk appetite that sets out the types and levels of risk we are prepared to take;
- We actively monitor risks and take mitigating actions where they fall outside accepted levels;
- Breaches of risk limits are identified, analyzed and escalated, and large, repeated or unauthorized exceptions may result in disciplinary action; and
- We seek to establish resilient risk controls that promote multiple perspectives on risk and reduce the reliance on single risk measures.

We actively promote a strong risk culture where employees are encouraged to take accountability for identifying and escalating risks and for challenging inappropriate actions. The businesses are held accountable for managing all of the risks they generate, including those relating to employee behavior and conduct, in line with our risk appetite. Expectations on risk culture are regularly communicated by senior management, reinforced through policies and training, and considered in the performance assessment and compensation processes and, with respect to employee conduct, assessed by formal disciplinary review committees. In 2014, we

introduced across the Group a set of business conduct behaviors that support our desired risk culture. They are designed to encourage employees to act in ways that reduce operational risk incidents, address the root causes of past operational risk incidents in the financial services sector and other relevant industries, and touch on our ability to learn from past events.

► Refer to "Conduct risk" for further information.

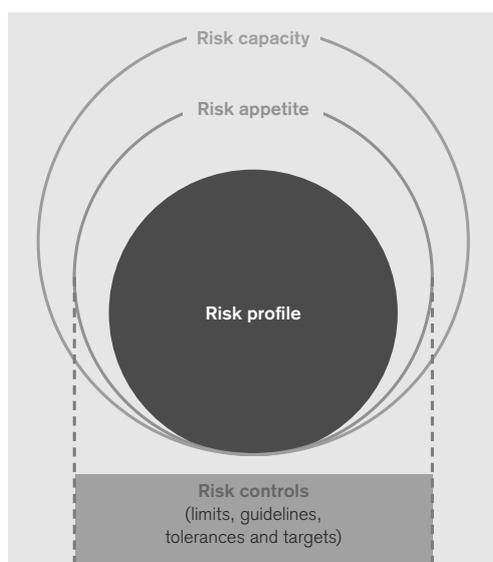
RISK APPETITE FRAMEWORK

Overview

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

Risk capacity is the maximum level of risk that we can assume before breaching any constraints determined by capital needs, liquidity requirements, shareholder expectations, or conduct and fiduciary responsibilities to clients and other stakeholders. Risk appetite expresses the aggregate risk we are willing to accept within our risk capacity to achieve our strategic objectives and business plan. Risk profile is a point-in-time assessment of our net risk exposures aggregated within and across each relevant risk category. The size of our risk profile is restricted to the planned level of our risk appetite through the use of risk controls, such as limits, guidelines, tolerances and targets.

Risk appetite framework – key definitions



Risk capacity Maximum level of risk we can assume before breaching any constraints determined by capital needs, liquidity requirements, shareholder expectations, or conduct and fiduciary responsibilities to clients and other stakeholders.

Risk appetite Aggregate risk we are willing to accept 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.

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 encompasses the suite of policies, processes, controls and systems with which the risk controls are calibrated and the risk profile is managed. The framework is guided by the following strategic risk objectives:

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

Group-wide risk appetite is determined in conjunction with the financial and capital planning process on an annual basis, based on bottom-up forecasts that reflect planned risk-usage by the businesses, and top-down, Board-driven strategic risk objectives and risk appetite. Scenario stress testing of financial and capital plans is an essential element in the risk appetite calibration process and is the means through which our strategic risk objectives, financial resources and business plans are aligned.

The risk appetite statement is the formal plan, approved by the Board, for our Group-wide risk appetite. Key divisional allocations are cascaded from the Group and approved in divisional risk management committees. Legal entity risk appetites are allocated from the Group and are approved by the local legal entity board of directors.

The top-down and bottom-up risk appetite calibration process includes the following key steps:

Top-down:

- Group-level strategic risk objectives are agreed by the Board in line with our financial and capital objectives.
- Top-down risk capacities and risk appetites are determined with reference to available resources and key thresholds, such as minimum regulatory requirements.

- A risk appetite statement is determined and approved annually by the Board, and is based on both the strategic risk objectives and comprehensive scenario stress testing of our forecasted financial results and capital requirements. A semi-annual review of the risk appetite and capacity levels is performed. The risk appetite statement comprises quantitative and qualitative risk measures necessary for adequate control of the risk appetite across the organization.
- Separate legal entity risk appetite frameworks aligned to local regulatory requirements are in place for material subsidiaries. An integrated year-end planning process ensures that individual legal entity risk appetites are consistent with Group levels.
- Divisional risk committees are responsible for allocating risk appetite within their area based on individual business line reviews and requirements.

Bottom-up:

- Risk forecasts are established by front office business experts in conjunction with financial plans in order to ensure they are consistent with the business strategy. These plans are reviewed by the relevant risk management committees.
- Bottom-up risk forecasts are aggregated across businesses to assess divisional and Group-wide risk plans and to support management decisions on variations to existing risk appetite levels or the possible need for new risk appetite measures.

The following chart provides an overview of key Group-wide quantitative and qualitative aspects covered in our risk appetite statement for the Group and their connection to the division-specific risk appetite statements.

Risk appetite framework – key aspects

	Group-wide	Division-specific		
		Private Banking & Wealth Management	Investment Banking	
Selected quantitative aspects	<ul style="list-style-type: none"> ■ Economic risk capital limits ■ Liquidity ratios ■ Leverage ratios 	<ul style="list-style-type: none"> ■ Scenario loss limits ■ Risk-weighted assets ■ Balance sheet size 	<ul style="list-style-type: none"> ■ Economic risk capital limits ■ Market risk limits ■ Credit risk limits ■ Operational risk tolerance levels 	
Selected qualitative aspects	<ul style="list-style-type: none"> ■ Compliance with international and local laws and regulations ■ Reputational risk ■ Operational risk tolerance statements 		<ul style="list-style-type: none"> ■ Avoidance of concentration risks ■ Adherence to suitability & appropriateness requirements ■ 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 2014 and 2013, no Board limits were exceeded.

Dedicated controls are also in place to cover the specific risk profiles of individual businesses and legal entities. In the context of the overall risk appetite of the Group, as defined by the limits set by the Board and its Risk Committee, CARMC is responsible for allocating divisional risk limits and more specific limits deemed necessary to control the concentration of risk within individual lines of business. Divisional management is responsible for allocating risk appetite further into the organization. For this purpose, it uses a detailed framework of more than 100 individual risk limits designed to control risk-taking at a granular level by individual businesses and in the aggregate. The risk controls are intended to:

- limit overall risk-taking to the Group's risk appetite;
- trigger senior management discussions with the businesses involved, risk management and governance committees in case of substantial change in the overall risk profile;

- ensure consistent risk measurement across businesses;
- provide a common framework for the allocation of resources to businesses; and
- provide a basis for protecting the Group's capital base and meet strategic risk objectives.

The limit framework encompasses specific limits on a large number of different products and risk type concentrations. For example, there are controls over consolidated trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed capital. Risk limits allocated to lower organizational levels within the businesses also include a system of individual counterparty credit limits. CARMC limits are binding and generally set close to the planned risk profile to ensure that any meaningful increase in risk exposures is promptly escalated. The divisional chief risk officers and certain other members of senior management have the authority to temporarily increase the divisional risk committee limits by an approved percentage for a period not to exceed 90 days. Any divisional risk committee limit excess is subject to a formal escalation procedure and must be remediated or expressly approved by senior management. Senior management approval is valid for a standard period of ten days (or fewer than ten days for certain limit types) and approval has to be renewed for additional standard periods if an excess is not remediated within the initial standard period. The majority of these limits are monitored on a daily basis. Limits for which the inherent calculation time is longer are monitored on a weekly basis. A smaller subset of limits relating to exposures for which the risk profile changes more infrequently (for example, those relating to illiquid investments) is monitored on a monthly basis. In 2014, 98% of all limit excesses were resolved within the approved standard period.

While the primary purpose is risk management, risk limits are also useful tools in the identification of trading misconduct and unauthorized trading activities. The limit owners are responsible for reviewing warning triggers for risk limits. They may set warning triggers for potential limit excesses at any level lower than the approved limits as deemed appropriate after taking into account the nature of the underlying business. Strict escalation procedures apply to any limit breaches and depending on the severity of the excess, the Group CRO's or divisional chief executive officer's approval may be required. Serious excesses are highlighted in periodic Risk Committee meeting management summaries. An assessment by the disciplinary review committee and any disciplinary actions that may be taken are considered in the regular performance assessment and compensation processes.

RISK COVERAGE AND MANAGEMENT

Overview

We use a wide range of risk management practices to address the variety of risks that arise from our business activities. Policies, limits, guidelines, processes, standards, risk assessment and measurement methodologies, and risk monitoring and reporting are key components of our risk management practices. Our risk management practices complement each other in our analysis of potential loss, support the identification of interdependencies and

interactions of risks across the organization and provide a comprehensive view of our exposures. We regularly review and update our risk management practices to ensure consistency with our business activities and relevance to our business and financial strategies. Risk management practices have evolved over time without a standardized approach within the industry, therefore comparisons across firms may not be meaningful.

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

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. Conduct risk: The risk that poor conduct by the Group, employees or representatives could result in clients not receiving a fair transaction, damage to the integrity of the financial markets or the wider financial system, or ineffective competition in the markets in which we operate that disadvantages clients. 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. 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.	<ul style="list-style-type: none"> ■ A comprehensive assessment for these risk types is performed both periodically and event-driven. ■ 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. ■ The risk management actions include both precautionary activities to manage risk and issue resolution activities to recover from adverse developments.
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.	
Strategy 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.	

It is important to both evaluate each risk type separately and assess their combined impact on the Group, which helps ensure that our overall risk profile remains within the Group-wide risk appetite.

The primary evaluation methods used to assess Group-wide quantifiable risks include economic risk capital and stress testing. Economic risk capital captures market, credit, operational and certain other risks and is a key component in our risk appetite framework with limits determined to control aggregate risk. Stress testing captures market, credit and operational risks and provides an

evaluation method capable of capturing both historic and forward-looking scenarios to ensure that aggregate risks are managed within the Group-wide risk appetite also under stressed conditions.

The description of our economic risk capital methodology and our stress testing framework below is followed by a more detailed description of our key risk types.

► Refer to “Liquidity and funding management” for further information on liquidity and funding risks-related evaluation methods used in our liquidity risk management framework and for funding management.

Economic risk capital

Overview

Economic risk capital is used as a consistent and comprehensive tool for capital management, limit monitoring and performance management. Economic risk capital is our core Group-wide risk management tool for measuring and reporting the combined impact from quantifiable risks such as market, credit, operational, pension, expense and model risks, each of which has an impact on our capital position.

Under the Basel framework, we are required to maintain a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with our overall risk profile and the current operating environment. Our economic risk capital model represents our internal view of the amount of capital required to support our business activities.

► Refer to "Capital strategy and framework" and "Regulatory capital framework" in Capital management for further information on our capital management framework.

Methodology and scope

Economic risk capital measures risks in terms of economic realities rather than regulatory or accounting rules and estimates the amount of capital needed to remain solvent and in business under extreme market, business and operating conditions over the period

of one year, given our target financial strength (our long-term credit rating). Economic risk capital is set to a level needed to absorb unexpected losses at a confidence level of 99.97%. Our economic risk capital model is a set of methodologies used for measuring quantifiable risks associated with our business activities on a consistent basis. It is calculated separately for position risk (reflecting our exposure to market and credit risks), operational risk and other risks. Within each of these risk categories, risks are further divided into subcategories, for which economic risk capital is calculated using the appropriate specific methodology. Some of these methodologies are common to a number of risk subcategories, while others are tailored to the particular features of single, specific risk types included in position risk, operational risk and other risks. Economic risk capital is calculated as the sum of position risk, operational risk and other risks.

Position risk and diversification benefit

Position risk is the level of unexpected loss from our portfolio of balance sheet and off-balance sheet positions over a one-year holding period and includes market and credit risks. Position risk is calculated at a 99% confidence level for risk management purposes and converted to a 99.97% confidence level for capital management purposes. Our position risks categories are described in the following table.

Position risk categories

Position risk categories	Risks captured
Fixed income trading	<ul style="list-style-type: none"> ■ Foreign exchange rates and volatilities ■ Interest rate levels and volatilities ■ Commodity prices and volatilities ■ Credit spreads and the risk of corporate bond defaults ■ Life finance and litigation business activities
Equity trading & investments	<ul style="list-style-type: none"> ■ Equity prices and volatilities ■ Non-recourse share-backed financing transactions ■ Liquid hedge funds exposures and fund-linked products ■ Equity risk arbitrage activities, in particular the risk that an announced merger may not be completed ■ Private equity, illiquid hedge funds and other illiquid equity investment exposures
Private banking corporate & retail lending	<ul style="list-style-type: none"> ■ Potential changes in the creditworthiness of counterparty exposures in the Private Banking & Wealth Management division and the risk of counterparty defaults
International lending & counterparty exposures	<ul style="list-style-type: none"> ■ Potential changes in the creditworthiness of counterparty exposures, mainly in the Investment Banking division, and the risk of counterparty defaults
Emerging markets country event risk	<ul style="list-style-type: none"> ■ Country events in emerging markets
Real estate & structured assets	<ul style="list-style-type: none"> ■ Commercial real estate activities and structured assets ■ Residential real estate activities and positions in asset-backed securities

To determine our overall position risk, we consider the diversification benefit across risk types. Diversification benefit represents the reduction in risk that occurs when combining different, not perfectly correlated risk types in the same portfolio and is measured as the difference between the sum of position risk for the individual risk types and the position risk calculated for the combined portfolio. Hence, position risk for the combined portfolio is non-additive across risk types and is lower than the sum of position risk

of its individual risk types due to risk reduction (or benefit) caused by portfolio diversification. When analyzing position risk for risk management purposes, we look at individual risk types before and after diversification benefit.

Operational risk

Operational risk is the level of loss resulting from inadequate or failed internal processes, people and systems or from external

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

Other risks

The other risks category includes the following:

- Our expense risk measures the potential difference between expenses and revenues in a severe market event, excluding the elements captured by position risk and operational risk, using conservative assumptions regarding the earnings capacity and the ability to reduce the cost base in a crisis situation.
- Pension risk is the risk that we, as a plan sponsor, are required to fund a deficit in employee pension schemes in an extreme event. It covers fluctuations in our pension plan assets and liabilities which can lead to potential funding shortfalls. Funding shortfalls can arise from a decline in asset values and/or an increase in the present value of liabilities. The shortfall would need to be funded using available resources. In order to recognize the potential for a funding shortfall, we apply an economic risk capital charge.
- Owned real estate risk is defined as the capital at risk which arises from fluctuations in the value of buildings owned by the Group.
- Foreign exchange risk is the risk arising from a currency mismatch between available economic capital and economic risk capital required.
- Corporate interest rate risk is the interest rate risk on our treasury positions.
- The impact from deferred share-based compensation awards captures the economic benefit that may result from covering our structural short obligations to deliver own shares through market purchases in the case of falling market prices.
- Model uncertainty add-on is an estimate for the impacts of certain planned methodology changes.

Available economic capital

Available economic capital is an internal view of capital available to absorb losses based on the reported BIS look-through CET1 capital under Basel III, with economic adjustments applied to provide consistency with economic risk capital. It enables a comparison between capital needs (economic risk capital) and capital resources (available economic capital).

Economic risk capital coverage ratio

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

Governance

Our economic risk capital framework is governed and maintained by a dedicated steering committee, which regularly reviews, assesses and updates the economic risk capital methodology in light of market and regulatory developments, risk management practice and organizational changes. In addition, the steering committee approves new methodologies and prioritizes the implementation for its three components (position risk, operational risk and other risks).

Stress testing framework

Overview

Stress testing or scenario analysis provides an additional approach to risk management and formulates hypothetical questions, including what would happen to our portfolio if, for example, historic or adverse forward-looking events were to occur. A well-developed stress testing framework provides a powerful tool for senior management to identify these risks and also take corrective actions to protect the earnings and capital from undesired impacts.

Stress testing is a fundamental element of our Group-wide risk appetite framework included in overall risk management to ensure that our financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, used in risk appetite discussions and strategic business planning, and to support our internal capital adequacy assessment. Within the risk appetite framework, CARMC sets Group-wide stressed position loss limits to correspond to minimum post-stress capital ratios. Currently, limits are set on the basis of BIS CET1 capital ratios on a phase-in and look-through basis. Stress tests also form an integral part of the Group's recovery and resolution plan (RRP). Within the RRP, stress tests provide the indicative scenario severity required to reach recovery and resolution capital levels.

Stress testing provides key inputs for managing the following objectives of the risk appetite framework:

- Ensuring Group-wide capital adequacy on both a regulatory basis and under stressed conditions: We run a suite of scenarios on forecasted financial metrics such as revenues, expenses, pre-tax income and ◉ risk-weighted assets. The post-stress capital ratios are assessed against the risk appetite of the Group.
- Maintaining stable earnings: We mainly use stress testing to quantitatively assess earnings stability risk. Earnings-loss-triggers are established and monitored to contain excessive risk-taking which could compromise our earnings stability.

We also conduct externally defined stress tests that meet the specific requirements of regulators. For example, as part of various regular stress tests and analysis, FINMA requires a semi-annual loss potential analysis that includes an extreme scenario that sees European countries experience a severe recession resulting from the worsening of the European debt crisis.

Methodology and scope of Group-wide stress testing

Stress tests are carried out to determine stressed position losses, earnings volatility and stressed capital ratios using historical, forward-looking and reverse stress testing scenarios. The scope of stress testing includes market, credit default, operational, business and pension risk. Stress tests also include the scenario impact on risk-weighted assets through changes to market, credit and operational components.

We use historical stress testing scenarios to consider the impact of market shocks from relevant periods of extreme market disturbance. Standardized severity levels allow comparability of severity across differing risk types. The calibration of bad day, bad week, severe event and extreme event scenarios involves the identification of the worst moves that have occurred in recent history. Severe flight to quality is our main scenario used for Group-wide stress testing and risk appetite setting. It is a combination of market shocks and defaults that reflects conditions similar to what followed the Lehman collapse during the fourth quarter of 2008. The severe flight to quality scenario assumes a severe market crash in equity and commodity markets, along with a widening of credit spreads and stressed default rates.

We use forward-looking stress testing scenarios to complement historical scenarios. The forward-looking scenarios are centered on potential macroeconomic, geopolitical or policy threats. A risk council comprised of internal economists, front office and representatives of the risk management function discusses the backdrop to several forward-looking scenarios. The risk council reviews a wide range of scenarios and selects those that are most relevant to the analysis of key macroeconomic shocks. Some examples of forward-looking scenarios include US and European country recessions, Middle East conflict and the impact of monetary policy changes by central banks. Various scenarios are also used to mitigate concentration risks across the entire firm, such as the credit concentration scenario. During 2014, the Group focused on the following forward-looking scenarios:

- Ending of credit cycle: there is a tightening in credit markets and the US economy slides into a deep and prolonged recession with a substantial increase in default rates.
- Sovereign and banking crisis in a eurozone country: after several of its banks failed the asset quality stress results in October 2014, a significant eurozone country enters into a deep recession that leads to a spike in its sovereign yields and to a confidence crisis in its domestic banking sector, with contagion to selected other eurozone countries. The eurozone is pushed into a deep recession with a severe drop in corporate earnings leading to defaults.
- Euro deflation scenario: the eurozone heads into deflation, the credit default cycle gradually worsens, and banks are stressed and forced to reduce lending, leading to a tightening of the money supply.
- Emerging markets hard landing scenario: a slowdown in a major Asian economy, driven by defaults in the non-regulated part of its finance industry, exacerbates falling investor confidence. Massive capital flight from emerging markets causes

overall emerging markets gross domestic product growth to decline significantly, impacting growth in the eurozone and US economies.

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

The scenarios are reviewed and updated regularly as markets and business strategies evolve.

We use reverse stress testing scenarios to complement traditional stress testing and enhance our understanding of business model vulnerabilities. Reverse stress testing scenarios define a range of severe adverse outcomes and identify what could lead to these outcomes. The more severe scenarios include large counterparty failures, sudden shifts in market conditions, operational risk events, credit rating downgrades and the shutdown of wholesale funding markets.

Governance

Our stress testing framework is comprehensive and governed through a dedicated steering committee. The scenario steering committee reviews the scenario methodology and approves changes to the scenario framework. Stress tests are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management, the business divisions and regulators.

Market risk

Definition

Market risk is the risk of financial loss arising from movements in market prices. The movements in market prices that generate financial losses are considered to be adverse changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices and other factors, such as market volatility and the correlation of market prices. A typical transaction or position in financial instruments may be exposed to a number of different market risks. Our trading portfolios (trading book) and non-trading portfolios (banking book) have different sources of market risk.

Sources of market risk

Market risks arise from both our trading and non-trading business activities. The classification of assets into trading book and banking book portfolios determines the approach for analyzing our market risk exposure. This classification reflects the business and risk management perspective and may be different from the classification of these assets for financial reporting purposes.

Trading book

Market risks from our trading book primarily relate to our trading activities in Investment Banking. Private Banking & Wealth Management also engages in trading activities, but to a much lesser extent. Our trading book, as determined for risk management purposes, typically includes fair-valued positions only, primarily of the

following balance sheet items: trading assets and trading liabilities, investment securities, other investments, other assets (mainly derivatives used for hedging, loans and real estate held-for-sale), short-term borrowings, long-term debt and other liabilities (mainly derivatives used for hedging).

We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products. Some of the structured products are customized transactions using combinations of derivatives and are executed to meet specific client or proprietary needs. As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

The market risks associated with the embedded derivative elements of our structured products are actively monitored and managed on a portfolio basis as part of our overall trading book and are reflected in our [VaR measures](#).

Banking book

Market risks from our banking book primarily relate to asset and liability mismatch exposures, equity participations and investments in bonds and money market instruments. Our businesses and the Corporate Center have non-trading portfolios that carry market risks, mainly related to changes in interest rates but also to changes in foreign exchange rates, equity prices and, to a lesser extent, commodity prices. Our banking book, as determined for risk management purposes, includes a majority of the following balance sheet items: loans, central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, cash and due from banks, brokerage receivables, due to banks, customer deposits, central bank funds purchased, securities sold under repurchase agreements and securities lending transactions, brokerage payables, selected positions of short-term borrowings and long-term debt, and other assets and liabilities not included in the trading portfolio.

We assume interest rate risks in our banking book through interest rate-sensitive positions originated by Private Banking & Wealth Management, money market and funding activities by Treasury, and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisions, primarily in Investment Banking. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and, since October 2014, have been risk-managed within Private Banking & Wealth Management on a pooled basis using replication portfolios. The replication portfolios approximate the interest rate characteristics of the underlying products. This particular source of market risk is monitored on a daily basis. Following the transfer of the interest rate risk management of these portfolios from Treasury to Private Banking & Wealth Management in October 2014, Treasury continues to be responsible for the modeling and monitoring of the replication portfolios.

Evaluation and management of market risk

We use market risk measurement and management methods capable of calculating comparable exposures across our many activities and focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. Our principal market risk measurement is VaR. In addition, our market risk exposures are reflected in scenario analysis, as included in our stress testing framework, position risk, as included in our economic risk capital, and sensitivity analysis. Each evaluation method aims to estimate the potential loss that we can incur due to an adverse market movement over a defined holding period with a specified confidence level. VaR, scenario analysis, position risk and sensitivity analysis complement each other in our market risk assessment and are used to measure market risk at the Group level. Our risk management practices are regularly reviewed to ensure they remain appropriate.

Market risk in the trading book is measured using VaR and market risk in our banking book is measured using sensitivity analysis on related market factors.

Value-at-Risk

VaR is a risk measure which quantifies the potential loss on a given portfolio of financial instruments over a certain holding period that is expected to occur at a certain confidence level. VaR can be applied for all financial instruments with sufficient price histories. Positions are aggregated by risk category rather than by product. For example, interest rate risk VaR includes the risk of fluctuations in interest rates arising from interest rate, foreign exchange, equity and commodity options, money market and swap transactions and bonds. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations between different assets, applying the concept of portfolio diversification benefit described above for position risk. Our VaR model is designed to take into account a comprehensive set of risk factors across all asset classes.

VaR is an important tool in risk management and is used for measuring quantifiable risks from our activities exposed to market risk on a daily basis. In addition, VaR is one of the main risk measures for limit monitoring, financial reporting, calculation of regulatory capital and regulatory backtesting.

Our VaR model is predominantly based on historical simulation which derives plausible future trading losses from the analysis of historic market prices. The model is responsive to changes in volatility through the use of exponential weighting, which applies a greater weight to more recent events, and the use of expected shortfall equivalent measures to ensure all significant events are included in the model. We use the same VaR model for risk management (including limit monitoring and financial reporting), regulatory capital calculation and regulatory backtesting purposes, except for the confidence level and holding period used and the scope of financial instruments considered.

For our risk management VaR, we use a two-year historical dataset, a one-day holding period and a 98% confidence level. This means that we would expect daily mark-to-market trading losses to exceed the reported VaR not more than twice in 100 trading days over a multi-year observation period. This measure captures risks in trading books only and includes securitization positions. It is more closely aligned to the way we consider the risks associated with our trading activities. Our VaR used for limit monitoring purposes also uses a two-year historical dataset, a one-day holding period and a 98% confidence level. This measure includes positions from both the trading book and the banking book and also includes securitization positions.

For regulatory capital purposes, we operate under the Basel III market risk framework which includes the following components for the calculation of regulatory capital: ◻ regulatory VaR, regulatory VaR for backtesting purposes, ◻ stressed VaR, ◻ IRC and the impact of changes in a counterparty's credit spreads (also known as ◻ CVA). The regulatory VaR for capital purposes uses a two-year historical dataset, a ten-day holding period and a 99% confidence level. This measure captures risks in the trading book only and excludes securitization positions as these are treated under the securitization approach for regulatory purposes. The regulatory VaR for backtesting purposes uses a two-year historical dataset, a one-day holding period and a 99% confidence level. This measure captures risks in the trading book and includes securitization positions. Stressed VaR replicates the regulatory VaR calculation on the Group's current portfolio over a continuous one-year observation period that results in the highest VaR. The continuous one-year observation period on a historical dataset starting in 2006 avoids the smoothing effect of the two-year dataset used for our risk management and regulatory VaR, allows for a longer history of potential loss events and helps reduce the pro-cyclicality of the minimum capital requirements for market risk. IRC is a regulatory capital charge for default and migration risk on positions in the trading books and intended to complement additional standards being applied to the VaR modeling framework, including stressed VaR.

Assumptions used in our market risk measurement methods for regulatory capital purposes are compliant with the standards published by the BCBS and other related international standards for market risk management. We have approval from FINMA, as well as from certain other regulators of our subsidiaries, to use our regulatory VaR model in the calculation of trading book market risk capital requirements. We continue to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at www.credit-suisse.com/pillar3.

► Refer to "Risk measurement models" in Capital management – Regulatory capital framework for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

VaR limitations

The VaR model uses assumptions and estimates that we believe are reasonable, but VaR only quantifies the potential loss on a portfolio based on the behavior of historical market conditions. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities;
- Although VaR captures the relationships between risk factors, these relationships may be affected by stressed market conditions;
- VaR provides an estimate of losses at a specified confidence level, which means that it does not provide any information on the size of losses that could occur beyond that confidence level;
- VaR is based on either a one-day (for internal risk management, backtesting and disclosure purposes) or a ten-day (for regulatory capital purposes) holding period. This assumes that risks can be either sold or hedged over the holding period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence; and
- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.

To mitigate some of the VaR limitations and estimate losses associated with unusually severe market movements, we use other metrics designed for risk management purposes and described above, including stressed VaR, position risk and scenario analysis.

For some risk types there can be insufficient historical data for a calculation within the Group's VaR model. This often happens because underlying instruments may have traded only for a limited time. Where we do not have sufficient market data, either market data proxies or extreme parameter moves for these risk types are used. Market data proxies are selected to be as close to the underlying instrument as possible. Where neither a suitable market dataset nor a close proxy is available, extreme parameter moves are used which are aggregated assuming a zero correlation.

Risks that are not currently implemented within the Group's VaR model such as certain basis risks, higher order risks and cross risks between asset classes are captured through ◻ risk not in VaR (RNIV) calculations. RNIV is also used if accurate sensitivity analysis cannot be performed for the respective risks.

We use a risk factor identification process to ensure that risks are identified and measured correctly. There are two parts to this process. First, the market data dependency approach systematically determines the risk requirements based on data inputs used by front-office pricing models and compares this with the risk types that are captured by the Group's VaR model and the RNIV framework. Second, the product-based approach is a qualitative analysis of product types to identify the risk types that those product types would be exposed to. A comparison is again made with the risk types that are captured in the VaR and RNIV frameworks. Through this process, risks that are not yet captured in the VaR

model or the RNIV framework are identified. A plan for including these risks in one or the other framework can then be devised. RNIV is captured in our economic risk capital framework.

VaR backtesting

Various techniques are used to assess the accuracy of the VaR methodology used for risk management and regulatory purposes. Backtesting is used to assess the accuracy of the regulatory VaR model. The purpose of the VaR backtesting process is to assess the accuracy and performance of our regulatory VaR model, to assess if our regulatory capital is sufficient to absorb actual losses, and to encourage developments to our VaR model. Backtesting involves comparing the results produced from the VaR model with the actual daily trading revenue. Actual daily trading revenues for the purpose of this backtesting are defined as gains and losses arising from our trading activities, including mark-to-market gains and losses, the net cost of funding, and fees and commissions. Actual daily trading revenues do not include gains and losses resulting from valuation adjustments associated with counterparty and own credit exposures. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. Statistically, at the overall Group level, given the 99% confidence level and the one-day holding period used in the regulatory VaR model for backtesting purposes, we would expect daily trading losses to exceed the calculated daily VaR not more than once in 100 trading days over a multi-year observation period.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues. The subset of actual daily trading revenues is defined on a consistent basis as the gains and losses for the regulatory VaR model but excludes non-market elements such as fees, commissions, non-market-related provisions, gains and losses from intra-day trading, cancellations and terminations.

VaR governance

Like other sophisticated models, our VaR model is subject to internal governance including validation by a team of modeling experts independent from the model developers. Validation includes identifying and testing the model's assumptions and limitations, investigating its performance through historical and potential future stress events, and testing that the live implementation of the model behaves as intended. We employ a range of different control processes to help ensure that the models used for market risk remain appropriate over time. As part of these control processes, a dedicated VaR governance steering committee meets regularly to review model performance and approve any new or amended models.

Sensitivity analysis

Market risks associated with our banking book positions are measured, monitored and limited using several tools, including economic risk capital, scenario analysis, sensitivity analysis and

VaR. For the purpose of this disclosure, the aggregated market risks associated with our banking book positions are measured using sensitivity analysis. Sensitivity analysis is a technique used to determine how different values of an independent variable will impact a particular dependent variable under a given set of assumptions. The sensitivity analysis for the banking book positions measures the potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the banking book positions generally are not marked to market through earnings.

Credit and debit valuation adjustments

Credit valuation adjustments (CVA) are modifications to the measurement of derivative assets used to reflect the credit risk of counterparties. Debit valuation adjustments (DVA) are modifications to the measurement of derivative liabilities used to reflect an entity's own credit risk. VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products.

Credit risk

Definition

Credit risk is the risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a counterparty default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets measured at ◊ fair value, with valuation changes recorded in the consolidated statements of operations.

Sources of credit risk

The majority of our credit risk is concentrated in the Wealth Management Clients and Corporate & Institutional Clients businesses within the Private Banking & Wealth Management division and in the Investment Banking division. Credit risk arises from lending products, irrevocable loan commitments, credit guarantees and letters of credit, and results from counterparty exposure arising from ◊ derivatives, foreign exchange and other transactions.

Evaluation and management of credit risk

Effective credit risk management is a structured process to assess, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

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

- individual counterparty rating systems;
- transaction rating systems;

- 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 \bullet PD, \bullet LGD and \bullet 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 \bullet A-IRB approach under the Basel framework.

For corporates managed on the Swiss platform, consumer loans, and since 2015 the majority of all other corporate and institutional counterparties, an internal rating or a PD is calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative (primarily balance sheet information for corporates and loan-to-value (LTV) ratio and the borrower's income level for mortgage lending) and qualitative factors (e.g., credit histories from credit reporting bureaus). For models calculating a PD an equivalent rating based on the Standard & Poor's rating scale is assigned based on the PD band associated with each rating, which is used for disclosure purposes.

For the remaining corporate and institutional facilities not yet using a statistical rating model, a PD is determined through an internal rating assigned on the basis of a structured expert approach. Internal credit ratings are based on an analysis and evaluation of both quantitative and qualitative factors concentrating on economic trends and financial fundamentals. Credit officers make use of peer analysis, industry comparisons, external ratings and research as well as the judgment of credit experts for the purpose

of their analysis. The PD for each internal rating is calibrated to historical default experience using internal data and external data from Standard & Poor's.

LGD represents the expected loss on a transaction should a default occur, and our LGD models consider the structure, collateral, seniority of the claim, counterparty industry, recovery costs and downturn conditions.

EAD represents the expected exposure in the event of a default. Off-balance sheet exposures are converted into expected EADs through the application of a credit conversion factor which is modeled using internal data.

In the third quarter of 2014, we enhanced our internal credit rating methodology for \bullet lombard loans on the Swiss platform across all loan classes by considering the quality and diversification of collateral securities as a basis for determining the internal risk rating both for regulatory and financial reporting purposes.

We use internal rating methodologies consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic risk capital measurement and allocation and financial accounting. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates.

Credit risk and country concentration limits overview

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products and industries. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis, and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties that could be subject to adverse changes in creditworthiness.

Active credit portfolio management

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at \bullet fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance. Impaired transactions are further classified as potential problem exposure, non-performing exposure, non-interest-earning exposure or restructured exposure, and the exposures are generally managed within credit recovery units. The Credit Portfolio and Provisions Review Committee regularly determines the adequacy of allowances.

Credit risk provisioning methodology

We maintain specific valuation allowances on loans valued at amortized cost, which we consider a reasonable estimate of losses identified in the existing credit portfolio. We provide for loan losses based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a specific valuation allowance is either created or adjusted accordingly. The specific allowance for loan losses is revalued by Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

In accordance with accounting principles generally accepted in the US (US GAAP), an inherent loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. Inherent losses in the Private Banking & Wealth Management lending portfolio are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In Investment Banking, inherent losses on loans are estimated based on a model using long-term industry-wide historical default and recovery data taking into account the credit rating and industry of each counterparty. A separate component of the calculation reflects the current market conditions in the allowance for loan losses. Qualitative adjustments to reflect current market conditions or any other factors not captured by the model are approved by management and reflected in the allowance for loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

Risk mitigation

We actively manage our credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, such as cash and marketable securities, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

Collateral valuation and management

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

For portfolios collateralized by marketable securities, collateral is valued daily, except as agreed otherwise in contracts or other legal documentation. The mark-to-market prices used for valuing collateral are a combination of Group-internal and market prices sourced from trading platforms and service providers, as appropriate. The management of collateral is standardized and centralized to ensure complete coverage of traded products.

For the Private Banking & Wealth Management mortgage lending portfolio, real estate property is valued at the time of credit approval and periodically thereafter, according to our internal policies and controls, depending on the type of loan (e.g., residential or commercial loan) and loan-to-value ratio.

Primary types of collateral

The primary types of collateral typically depend on the type of credit transaction.

Collateral securing foreign exchange transactions and OTC trading activities primarily includes cash and US treasury instruments, G10 government securities and corporate bonds.

Collateral securing loan transactions primarily includes financial collateral pledged against loans collateralized by securities of Private Banking & Wealth Management clients (primarily cash and marketable securities), real estate property for mortgages, mainly residential, but also multi-family buildings, offices and commercial properties, and other types of lending collateral such as accounts receivable, inventory, plant and equipment.

Credit risk governance

Credit risk is managed and controlled by Group credit risk management, an independent function within the risk management area and governed by a framework of policies and procedures. Key processes are reviewed through supervisory checks on a regular basis by management, including the functional area head.

Operational risk

Definition

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.

Sources of operational risk

Operational risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent transactions, trade processing errors, business disruptions, failures in regulatory compliance, defective transactions, and unauthorized trading events. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, or natural and man-made disasters.

Evaluation and management of operational risk

Operational risk framework

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. We believe that effective management of operational risk requires a common Group-wide operational risk framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. We started to introduce our current operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past two years, we have redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together. The following diagram provides a representation of the main components of our operational risk framework.

Operational risk framework



The operational risk framework provides a structured approach to managing operational risk. It seeks to apply consistent standards and techniques for evaluating risks across the Group while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet Group-wide minimum standards. The main components of the operational risk framework are described below:

- Governance and policies:** The operational risk framework relies on an effective governance process that establishes clear roles and responsibilities for managing operational risk and defines appropriate escalation processes for outcomes that are outside expected levels. We utilize a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.
- Operational risk appetite:** This determines our approach to risk-taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures. Senior management expresses their risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents and qualitative statements covering outcomes that should be avoided. They define their risk appetite with the relevant risk management committees in agreement with the operational risk management function.
- Operational risk register:** The register comprises a catalog of inherent operational risks arising as a consequence of our business activities. It provides a consistent approach for classifying operational risks across the Group which ensures that they are treated by other operational risk framework components using the appropriate processes and tools.
- Internal control assessment:** We utilize a comprehensive set of internal controls that are designed to ensure that our activities follow agreed policies and that processes operate as intended. Certain key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other operational risk framework components, such as in the risk and control self-assessment (RCSA) process.
- Risk and control indicators:** These are metrics that are used to monitor particular operational risks and controls over time. They may be associated with thresholds that define acceptable performance and provide early warning signals about potential impending issues.
- Incident data:** We systematically collect, analyze and report data on operational risk incidents to ensure that we understand the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. We focus on both incidents that result in economic losses and events that provide information on potential control gaps, even if no losses occurred. We also collect and utilize available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the Group.
- Risk and control self-assessments:** RCSAs are comprehensive, bottom-up assessments of the key operational risks in each business and control function. They comprise a self-assessment that covers the inherent risks of each business and control function, an evaluation of the effectiveness of the controls in place to mitigate these risks and a decision to either accept or remediate any residual risks. The self-assessments are subject to quality assurance by the operational risk management function to ensure that they have been conducted appropriately. RCSAs utilize other components of the operational risk framework, such as risk and control indicators and incident data, and they generate outputs that are used to manage and monitor risks.
- Top operational risks and remediation plans:** A set of top operational risks are used to highlight the most significant risks to senior management, along with associated risk remediation efforts. Top operational risks are generated using both a top-down assessment by senior management and a bottom-up

process that collates the main themes arising from the RCSA process.

- Reporting: We produce a wide range of regular management information reports covering the key inputs and outputs of the operational risk framework. These reports are used by senior management to monitor outcomes against agreed targets and tolerance levels.
- Responses framework: This provides a structured approach to responding to operational risk incidents and breaches of operational risk appetite. The incident management component includes a defined process for identifying, categorizing, investigating, escalating and remediating incidents. We conduct detailed investigations for significant operational risk incidents. These investigations seek to assess the causes of control failings, establish appropriate remediation actions and ascertain whether events have implications for other businesses. They can result in recommendations to impose restrictions on businesses while risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative operational risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how best to remediate issues that fall outside agreed risk appetite levels.
- Scenarios and capital modelling: Scenarios are used to identify and measure exposure to a range of adverse events, such as unauthorized trading. These scenarios help businesses assess the suitability of controls in the light of potential losses, and they are also an input to the internal model used by the Group to calculate economic and regulatory capital. These capital charges are allocated to individual businesses for performance measurement purposes and to incentivize appropriate management actions.
- Conduct and behavior: Recognizing that effective operational risk management relies on employees conducting themselves appropriately, several operational risk framework components include assessments of behavior. For example, investigations of incidents typically consider whether employees escalated issues at an appropriately early stage. Risks that have implications for conduct risk can be identified and assessed via the operational risk register and the RCSA process.

We are continuously enhancing our operational risk management practices and have an ongoing program to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. Potential enhancements are typically tested in one area to check that they deliver the intended benefits before being rolled out across the Group. In 2014, key enhancements included the introduction of the set of business conduct behaviors, refinements to the way in which operational risk appetite is set and measured across the Group, the introduction of the new responses framework, improvements in risk reporting and further improvements to the RCSA process to ensure that risks are assessed on a

consistent basis across the Group. We plan to roll out certain of these enhanced processes across the Group in stages.

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

Operational risk regulatory capital measurement

We have used an internal model to calculate the regulatory capital requirement for operational risk under the ◉ AMA approach since 2008. In 2014, we introduced an enhanced internal model that incorporated recent developments regarding operational risk measurement methodology and associated regulatory guidance. The revised model for calculating the regulatory capital requirement for operational risk was approved by FINMA with effect from January 1, 2014. We view the revised model as a significant enhancement to our capability to measure and understand the operational risk profile of the Group that is also more conservative than the previous approach.

The model is based on a loss distribution approach that uses historical data on internal and relevant external losses of peers to generate frequency and severity distributions for a range of potential operational risk loss scenarios, such as an unauthorized trading incident or a material business disruption. Business experts and senior management review, and may adjust, the parameters of these scenarios to take account of business environment and internal control factors, such as RCSA results and risk and control indicators, to provide a forward-looking assessment of each scenario. The AMA capital calculation approved by FINMA includes all litigation-related provisions and also an add-on component relating to the aggregate range of reasonably possible litigation losses that are disclosed in our financial statements but are not covered by existing provisions. Insurance mitigation is included in the regulatory capital requirement for operational risk where appropriate, by considering the level of insurance coverage for each scenario and incorporating haircuts as appropriate. The internal model then uses the adjusted parameters to generate an overall loss distribution for the Group over a one-year time horizon. The AMA capital requirement represents the 99.9th percentile of this overall loss distribution. In 2014, we introduced a more risk-sensitive approach to allocating the AMA capital requirement to businesses that is designed to be more forward-looking and incentivize appropriate risk management behaviors.

Operational risk governance

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams who are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise. Businesses and relevant control functions meet regularly

to discuss operational risk issues and identify required actions to mitigate risks.

The operational risk management function is responsible for the overall design of the operational risk management framework, for operational risk capital modeling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices throughout the Group for operational risk management, specifically with regard to the identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the quarterly CARMC meetings covering operational risk and at divisional risk management committees, which have senior staff representatives from all the relevant functions.

Conduct risk

Conduct risk is the risk that poor conduct by the Group, employees or representatives could result in clients not receiving a fair transaction, damage to the integrity of the financial markets or the wider financial system, or ineffective competition in the markets in which we operate that disadvantages clients.

Conduct risk may arise from a variety of sources, including unauthorized trading, the potential unsuitability of products sold or advice provided to clients, inadequate disclosure, trade processing errors, inaccurate benchmark submissions, failure to safeguard client data or assets, and breaches of regulatory rules or laws by individual employees or the Group's market conduct.

Conduct risk is being further embedded into the RCSA process within the operational risk framework, which considers the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing past incidents within the Group and at other firms in the financial services sector.

Conduct risk is primarily addressed through specific supervisory controls implemented across the Group and targeted training activities. We seek to promote good behavior and conduct through the Group's Code of Conduct, which provides a clear statement of the ethical values and professional standards as a basis for maintaining and strengthening our reputation for integrity, fair dealing and measured risk-taking, and the set of business conduct behaviors. The Code of Conduct and the set of business conduct behaviors are linked to our employee performance assessment and compensation processes.

Technology risk

Technology risk is the risk of financial loss arising from failure, exploitation of vulnerabilities or other deficiencies in the electronic platforms that support our daily operations and the system applications and infrastructure on which they reside. As a component of operational risk, technology risk is inherent not only in our information technology assets, but also in the people and processes that interact with them.

Cyber risk, which is part of technology risk, is the risk that our systems will not operate properly or will be compromised as a result of cyber-attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact. Any such event could subject us to litigation or cause us to suffer a financial loss, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage. We could also be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures.

Service and infrastructure disruption risks are managed through our business continuity management plan, our technology risk management program and other contingency and resiliency plans. Although we have business continuity plans, our businesses face a wide variety of operational risks, including technology risk arising from dependencies on information technology, third-party suppliers and the worldwide telecommunications infrastructure. As a global financial services company, we operate in a complex technological landscape covering our diverse business model. Ensuring that the confidentiality, integrity and availability of information assets are protected is critical to our operations.

Legal, compliance and regulatory risks

Legal risk is the risk of loss or imposition of damages, fines, penalties or other liability or any other material adverse impact arising from circumstances including the failure to comply with legal obligations, whether contractual, statutory or otherwise, changes in enforcement practices, the making of a legal challenge or claim against us, our inability to enforce legal rights or the failure to take measures to protect our rights.

Compliance risk is the risk of legal or regulatory sanctions or financial loss that may result from the failure to comply with laws, regulations, rules or market standards.

Regulatory risk is the risk that changes in laws, regulations, rules or market standards may limit our activities and have a negative effect on our business or our ability to implement strategic initiatives, or can result in an increase in operating costs for the business or make our products and services more expensive for clients.

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

Reputational risk

Reputational risk is the risk that negative perception by our stakeholders may adversely impact client acquisition and damage our business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial client, the regulatory or political climate in which the business will be transacted, and the potentially

controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself.

Our policy is to avoid any transaction or service that brings with it the risk of a potentially unacceptable level of damage to our reputation. We have a number of measures to mitigate potential reputational risk.

Reputational risk potentially arising from proposed business transactions and client activity is assessed in the reputational risk review process. The policy requires employees to be conservative when assessing potential reputational impact and, where certain indicators give rise to potential reputational risk, the relevant business proposal or service must be submitted through the reputational risk review process. This involves a submission by an originator (any employee), endorsement by a business area head or designee, and its subsequent referral to one of the regional reputational risk approvers, each of whom is an experienced and high-ranking senior manager, independent of the business divisions, who has authority to approve, reject or impose conditions on our participation in the transaction or service.

The RRSC, on a global level, and the regional reputational risk committees, on a regional level, are the governing bodies responsible for the oversight and active discussion of reputational risk and sustainability issues. At the Board level, the Risk Committee and Audit Committee jointly assist the Board in fulfilling its reputational risk oversight responsibilities by reviewing and assessing the adequacy of the management of reputational risks.

In order to inform our stakeholders about how we manage some of the environmental and social risks inherent to the banking business, we publish our *Corporate Responsibility Report*, in which we also describe our efforts to conduct our operations in a manner that is environmentally and socially responsible and broadly contributes to society.

Fiduciary risk

Fiduciary risk is the risk of financial loss arising when the Group or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of our client's assets including from a product-related market, credit, liquidity and operational risk perspective.

Monitoring investment performance and measuring risks across discretionary client portfolios is central to our oversight program. Areas of focus include:

- Monitoring client investment guidelines or breaches of investment fund obligations to investors. In certain cases, internal limits or guidelines are also established and monitored.
- Ensuring discretionary portfolio managers' investment approach is in line with client expectations and in accordance with written sales and marketing materials.
- Measuring investment performance of client investments and comparing the returns against benchmarks to understand sources and drivers of the returns and to assess risk measures such as sensitivities, stress scenarios, expected volatility and liquidity across our portfolios to ensure that we are

managing the assets in line with the clients' expectations and risk tolerance.

- Treating clients with a prudent standard of care, which includes information disclosure, subscriptions and redemptions processes, trade execution and the highest ethical conduct.

Sound governance is essential for all discretionary management activities including trade execution and investment process. Our program targets daily, monthly or quarterly monitoring of all portfolio management activities with independent analysis provided to senior management. Formal review meetings are in place to ensure that investment performance and risks are in line with expectations and adequately supervised.

Strategy risk

Strategy risk is the risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment. Strategy risk may arise from a variety of sources, including:

- inadequate or inaccurate understanding of our existing capabilities and competitive positioning;
- inadequate or inaccurate analysis of current and prospective operating conditions in our markets including macroeconomic environment, client and competitor behaviors and actions, regulatory developments and technological impacts;
- inappropriate strategic decisions, such as those pertaining to which activities we will undertake, which markets and client segments we will serve, and how we will position ourselves relative to competitors;
- ineffective implementation of chosen business strategies;
- inability to properly identify and analyze key changes in our operating environment, and to adapt strategies accordingly; and
- inability to properly monitor progress against strategic objectives.

A wide variety of financial, risk, client and market analyses are used to monitor the effectiveness of our strategies and the performance of our businesses against their strategic objectives. These include analysis of current and expected operating conditions, analysis of current and target market positioning, and detailed scenario planning.

Strategic plans are developed by each division annually and aggregated into a Group plan, which is reviewed by the CRO, CFO and CEO before presentation to the Executive Board. Following approval by the Executive Board, the Group plan is submitted for review and approval to the Board. In addition, there is an annual strategic review at which the Board evaluates the Group's performance against strategic objectives and sets the overall strategic direction for the Group.

To complement the annual cycle, each division presents a more detailed individual analysis to review key dimensions of its strategy at various points during the year. Additionally, the CEO, the

Executive Board and individual business heads regularly assess the performance of each business against strategic objectives through a series of business reviews conducted throughout the year. The reviews include assessments of business strategy, overall operating environment, including competitive position, financial performance and key business risks.

RISK REVIEW AND RESULTS

Economic risk capital review

Development of economic risk capital methodology

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

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

of 2014 methodology changes on position risk for the Group as of December 31, 2013 was a decrease of CHF 679 million, or 5.6%.

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

- for operational risk, we implemented a revised internal AMA model to calculate the regulatory capital requirement for operational risk, and we updated insurance policy parameters in our operational risk model; and
- for other risks, we increased our other risks charge to reflect a recalibration of our economic risk capital model reserve component to account for planned methodology changes. This increase was marginally offset in the fourth quarter of 2014 when we removed minor risk types that were previously captured in the model reserve component. These risk types are now captured in the position risk model and did not have an impact on the overall position risk.

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

Economic risk capital

end of	Group			Bank ¹		
	2014	2013	% change	2014	2013	% change
Available economic capital (CHF million)						
BIS look-through CET1 capital (Basel III)	28,576	26,480	8	28,720	23,623	22
Economic adjustments ²	10,447	11,464	(9)	10,156	12,566	(19)
Available economic capital	39,023	37,944	3	38,876	36,189	7
Economic risk capital (CHF million)						
Position risk (99.97% confidence level)	21,652	19,988	8	21,499	19,841	8
Operational risk	5,277	4,731	12	5,277	4,731	12
Other risks ³	6,266	7,012	(11)	4,428	4,922	(10)
Economic risk capital	33,195	31,731	5	31,204	29,494	6
Economic risk capital coverage ratio (%)						
Economic risk capital coverage ratio⁴	118	120	-	125	123	-

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

¹ The major difference between economic risk capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position risk, operational risk and other risks.

² Includes primarily high-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to BIS look-through CET1 capital to enable comparison between economic risk capital and available economic capital under the Basel III framework.

³ Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between available economic capital and economic risk capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain planned methodology changes.

⁴ Ratio between available economic capital and economic risk capital.

Available economic capital trends

As of the end of 2014, our available economic capital for the Group was CHF 39.0 billion, up CHF 1.0 billion from the end of 2013. BIS look-through CET1 capital increased CHF 2.1 billion, primarily from net income of CHF 1.9 billion for the year and the foreign exchange translation impact, partially offset by the expected cash

portion of the dividends for the year and the impact from movements in own credit spreads. Economic adjustments decreased CHF 1.1 billion, mainly due to the repurchase of the outstanding 7.875% perpetual series B subordinated tier 1 participation securities in the first quarter of 2014 and lower dividend accruals reflecting the expected cash portion of the dividends.

Economic risk capital by division

in / end of	2014	2013	% change
Economic risk capital by division (CHF million)			
Private Banking & Wealth Management	9,853	9,445	4
Investment Banking	21,350	20,050	6
Corporate Center ¹	2,012	2,256	(11)
Economic risk capital – Group²	33,195	31,731	5
Economic risk capital – Bank³	31,204	29,494	6
Average economic risk capital by division (CHF million)			
Private Banking & Wealth Management	9,551	9,792	(2)
Investment Banking	20,605	19,298	7
Corporate Center ¹	2,135	2,260	(6)
Average economic risk capital – Group⁴	32,272	31,330	3
Average economic risk capital – Bank³	30,156	29,089	4

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

¹ Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between available economic capital and economic risk capital.

² Includes a diversification benefit of CHF 20 million and CHF 20 million as of December 31, 2014 and 2013, respectively.

³ The major difference between economic risk capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position risk, operational risk and other risks.

⁴ Includes a diversification benefit of CHF 19 million and CHF 20 million as of December 31, 2014 and 2013, respectively.

Economic risk capital trends

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

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

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

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

Group position risk

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

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

¹ This category comprises fixed income trading, foreign exchange and commodity exposures.

² This category comprises commercial and residential real estate (including RMBS and CMBS), ABS exposure, real estate acquired at auction and real estate fund investments.

³ Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

Key position risk trends

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

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

Market risk review

Trading book

Development of trading book risks

The tables entitled “One-day, 98% risk management VaR” show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR in Swiss francs and US dollars. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The different risk types are grouped into five categories including interest rate, credit spread, foreign exchange, commodities and equity.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 2014, we updated our VaR model to capture certain higher order risks in equity, interest rate and inflation-linked derivatives. These higher order risks, which included volatility skew, were previously captured in our RNIV framework. In addition, we increased the granularity of how we capture the risk between recently issued government bonds (on-the-run) and government bonds with similar maturities that were issued earlier (off-the-run) to cover risk by country rather than by region. The cumulative impact of these updates on our VaR measures was immaterial and prior periods have not been restated.

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

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

Excludes risks associated with counterparty and own credit exposures.

¹ As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

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

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

Excludes risks associated with counterparty and own credit exposures.

¹ As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

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

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

Period-end risk management VaR as of December 31, 2014 decreased 8% to USD 47 million compared to December 31, 2013, mainly reflecting decreased equity exposures.

In the 12-month periods ending December 31, 2014, 2013 and 2012, we had no backtesting exceptions in our regulatory VaR model. Since there were fewer than five backtesting exceptions in the rolling 12-month periods ending December 31, 2014, 2013

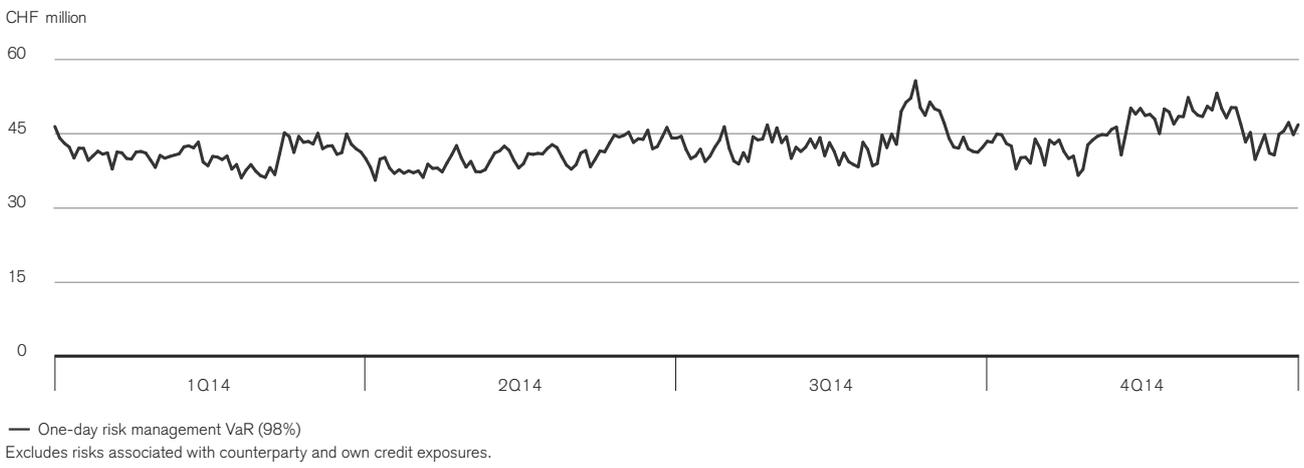
and 2012, in line with  BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

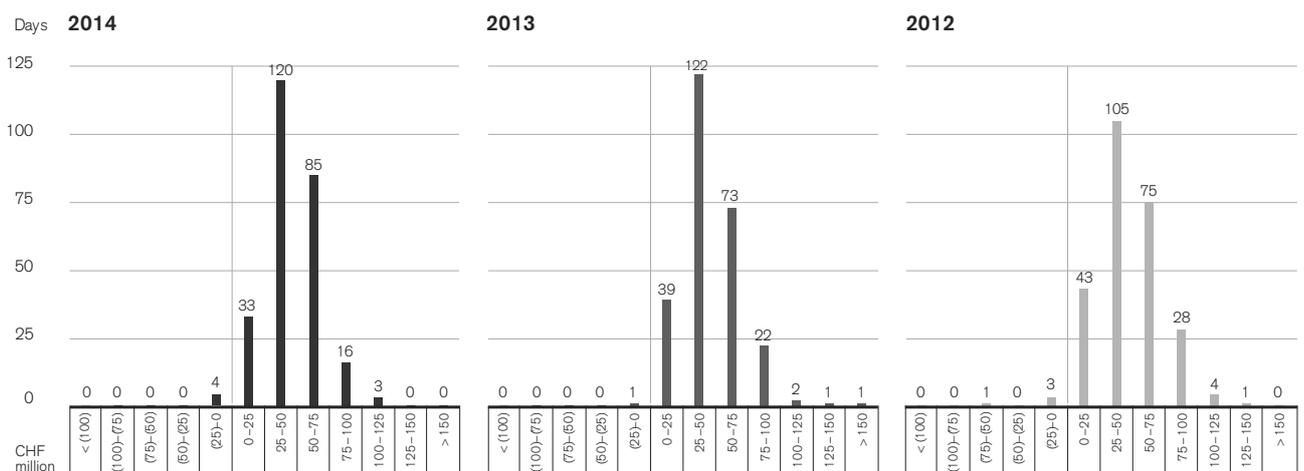
► Refer to "Regulatory capital framework" in Capital management for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 2014 with those for 2013 and 2012. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 2014, we had four trading loss days, each of them with a trading loss not exceeding CHF 25 million, compared to one trading loss day in 2013 with a trading loss not exceeding CHF 25 million.

Daily risk management VaR



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 4.6 million as of December 31, 2014, compared to an increase of CHF 8.5

million as of December 31, 2013. The decrease from 2013 was mainly due to activities related to the management of capital instruments. The decrease reflected new hedges that more than offset the impact of the related issuance of a new tier 1 capital instrument, and the repurchase of the outstanding 7.875% perpetual series B subordinated tier 1 participation securities following a tender offer as well as the impact of market movements on the valuation of these instruments. The decrease also reflected an overall risk reduction in Treasury.

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

end of	CHF	USD	EUR	GBP	Other	Total
2014 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	(2.4)	4.6	1.9	(0.1)	0.6	4.6
2013 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	(1.1)	7.0	2.2	0.0	0.4	8.5

Interest rate risk on banking book positions is also assessed using other measures including the potential value change resulting from a significant change in yield curves. The following table shows the impact of immediate 100 basis point and 200 basis point moves

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

Interest rate sensitivity – banking book positions

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

As of December 31, 2014, the fair value impact of an adverse 200 basis point move in yield curves was a loss of CHF 0.9 billion compared to a loss of CHF 1.2 billion as of December 31, 2013. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2014 and 2013, the fair value impact of an adverse 200 basis point move in yield curves and adverse interest rate moves, calibrated to a one-year holding period at a 99% confidence level in relation to the total eligible regulatory capital, was significantly below the 20% threshold used by regulators to identify banks that potentially run excessive levels of interest rate risk in the banking book.

Development of banking book equity risks

Our equity portfolios of the banking book include positions in private equity, hedge funds, strategic investments and other instruments. These positions may not be strongly correlated with general equity markets. Equity risk on banking book positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would have been a decrease of CHF 498 million in the value of the banking book portfolio as of December 31, 2014, compared to a decrease of CHF 474 million as of December 31, 2013.

Development of banking book commodity risks

Our commodity portfolios of the banking book include mainly precious metals such as gold, platinum and silver. Commodity risk on banking book positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would have been a decrease of CHF 0.2 million in the value of the banking book portfolio as of December 31, 2014 and 2013.

Credit and debit valuation adjustments

VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products. As of December 31, 2014, the estimated sensitivity implies that a one basis point increase in credit spreads, both counterparty and our own, would have resulted in a CHF 0.2 million gain on the overall

derivatives position in Investment Banking. In addition, a one basis point increase in our own credit spread on our fair valued structured notes portfolio (including the impact of hedges) would have resulted in a CHF 8.9 million gain as of December 31, 2014.

Credit risk review

Credit risk overview

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management. The following table represents credit risk from loans, irrevocable loan commitments and certain other contingent liabilities, loans held-for-sale, traded loans and derivative instruments before consideration of risk mitigation such as cash collateral and marketable securities or credit hedges.

Credit risk

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

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

¹ Positive replacement value after netting agreements.

² Irrevocable loan commitments do not include unused credit limits which are revocable at the Group's sole discretion upon notice to the client.

³ Prior period has been corrected.

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

CHF 1,299 million and CHF 769 million as of December 31, 2014 and 2013, respectively.

Loans and irrevocable loan commitments

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

Loans and irrevocable loan commitments

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

The Private Banking & Wealth Management portfolio consists primarily of mortgages and loans collateralized by marketable securities that can be readily liquidated. In Investment Banking, we manage credit exposures primarily with credit hedges and monetizable collateral. Credit hedges represent the notional exposure that has

been transferred to other market counterparties, generally through the use of CDS and credit insurance contracts.

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

Loans and irrevocable loan commitments – Private Banking & Wealth Management

end of	2014			2013		
Internal ratings	Gross exposure	Cash and securities ¹	Net exposure	Gross exposure	Cash and securities ¹	Net exposure
Risk mitigation (CHF million)						
Investment grade						
Ratings AAA to BBB	187,034	(54,595)	132,439	165,711	(42,984)	122,727
Non-investment grade						
Ratings BB to C	62,537	(6,326)	56,211	59,750	(4,775)	54,975
Rating D	1,059	(73)	986	1,154	(137)	1,017
Total loans and irrevocable loan commitments	250,630	(60,994)	189,636²	226,615	(47,896)	178,719²

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

¹ Cash collateral and marketable securities.

² In addition, we had a synthetic collateralized loan portfolio, the Clock Finance 2013 transaction, which effectively transferred the mezzanine tranche credit risk in excess of 1% up to a maximum of 6% on a portfolio of originated loans of CHF 5.0 billion at closing within Corporate & Institutional Clients to capital market investors.

Loans and irrevocable loan commitments – Investment Banking

end of	2014			2013		
Internal ratings	Gross exposure	Risk mitigation ¹	Net exposure	Gross exposure	Risk mitigation ¹	Net exposure
Risk mitigation (CHF million)						
Investment grade						
Ratings AAA to BBB	87,397	(15,527)	71,870	81,761	(14,948)	66,813
Non-investment grade						
Ratings BB to C	54,926	(12,509)	42,417	35,993	(6,516)	29,477
Rating D	728	(166)	562	611	(79)	532
Total loans and irrevocable loan commitments	143,051	(28,202)	114,849	118,365	(21,543)	96,822

Includes undrawn irrevocable credit facilities. Prior period has been adjusted to the current presentation.

¹ Credit hedges, cash collateral and marketable securities.

Loans

The following table provides an overview of our loans by loan classes, impaired loans, the related allowance for loan losses and selected loan metrics by business division.

Loans

end of	Private Banking & Wealth Management		Investment Banking		Credit Suisse ¹	
	2014	2013	2014	2013	2014	2013
Loans (CHF million)						
Mortgages	98,802	94,978	0	0	98,802	94,978
Loans collateralized by securities	39,818	31,565	0	0	39,818	31,565
Consumer finance	4,094	5,672	229	266	4,323	5,938
Consumer	142,714	132,215	229	266	142,943	132,481
Real estate	27,261	26,557	1,937	755	29,198	27,312
Commercial and industrial loans	60,435	48,953	14,581	14,356	75,046	63,334
Financial institutions	7,271	7,538	15,072	14,302	22,343	21,840
Governments and public institutions	1,162	1,236	2,729	1,811	3,891	3,047
Corporate & institutional	96,129 ²	84,284 ²	34,319	31,224	130,478	115,533
Gross loans	238,843	216,499	34,548	31,490	273,421	248,014
of which reported at fair value	243	226	22,670	19,231	22,913	19,457
Net (unearned income) / deferred expenses	(93)	(71)	(19)	(20)	(112)	(91)
Allowance for loan losses ³	(626)	(715)	(127)	(151)	(758)	(869)
Net loans	238,124	215,713	34,402	31,319	272,551	247,054
Impaired loans (CHF million)						
Non-performing loans	568	608	180	251	753	862
Non-interest-earning loans	279	280	0	1	279	281
Total non-performing and non-interest-earning loans	847	888	180	252	1,032	1,143
Restructured loans	168	6	3	0	171	6
Potential problem loans	152	340	35	0	187	340
Total other impaired loans	320	346	38	0	358	346
Gross impaired loans³	1,167	1,234	218	252	1,390	1,489
of which loans with a specific allowance	1,080	1,165	212	244	1,297	1,412
of which loans without a specific allowance	87	69	6	8	93	77
Allowance for loan losses (CHF million)						
Balance at beginning of period³	715	785	151	137	869	922
Changes in scope of consolidation	0	(1)	0	0	0	(1)
Net movements recognized in statements of operations	123	152	20	11	145	166
Gross write-offs	(268)	(278)	(81)	(8)	(349)	(286)
Recoveries	33	47	8	7	41	54
Net write-offs	(235)	(231)	(73)	(1)	(308)	(232)
Provisions for interest	5	13	15	13	20	26
Foreign currency translation impact and other adjustments, net	18	(3)	14	(9)	32	(12)
Balance at end of period³	626	715	127	151	758	869
of which individually evaluated for impairment	454	537	81	114	540	654
of which collectively evaluated for impairment	172	178	46	37	218	215
Loan metrics (%)						
Total non-performing and non-interest-earning loans / Gross loans ⁴	0.4	0.4	1.5	2.1	0.4	0.5
Gross impaired loans / Gross loans ⁴	0.5	0.6	1.8	2.1	0.6	0.7
Allowance for loan losses / Total non-performing and non-interest-earning loans ³	73.9	80.5	70.6	59.9	73.4	76.0
Allowance for loan losses / Gross impaired loans ³	53.6	57.9	58.3	59.9	54.5	58.4

¹ Includes Corporate Center, in addition to Private Banking & Wealth Management and Investment Banking.

² Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 78,962 million and CHF 67,522 million as of December 31, 2014 and 2013, respectively.

³ Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.

⁴ Excludes loans carried at fair value.

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

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

Loss given default

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

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

Loans – Private Banking & Wealth Management

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

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

equal or lower than 80%. For the Swiss residential mortgage loans originated in 2014 and 2013, the average LTV ratio was equal or lower than 80% at origination. Our LTV ratios are based on the most recent appraised value of the collateral.

Loans – Investment Banking

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

Impaired loans and allowance for loan losses

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

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

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

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

Gross impaired loans by loan portfolio segment

2014	Consumer	Corporate & institutional	Total
Gross impaired loans (CHF million)			
Balance at beginning of period	569	920	1,489
New impaired loans	359	331	690
Increase in existing impaired loans	32	69	101
Reclassifications to performing loans	(93)	(4)	(97)
Repayments ¹	(170)	(224)	(394)
Liquidation of collateral, insurance or guarantee payments	(37)	(85)	(122)
Sales ²	(11)	(3)	(14)
Write-offs	(81)	(238)	(319)
Foreign currency translation impact and other adjustments, net	14	42	56
Balance at end of period	582	808	1,390

¹ Full or partial principal repayments.

² Includes transfers to loans held-for-sale for intended sales of held-to-maturity loans.

Allowance for loan losses by loan portfolio segment

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

Provision for credit losses

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

Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and CDS, interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. Positive replacement values constitute an asset, while negative replacement values constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives

are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

The following table illustrates how credit risk on derivatives receivables is reduced by the use of legally enforceable netting agreements and collateral agreements. Netting agreements allow

us to net balances from derivative assets and liabilities transacted with the same counterparty when the netting agreements are legally enforceable. Replacement values are disclosed net of such agreements in the consolidated balance sheets. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us.

Derivative instruments by maturity

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

¹ Primarily precious metals, commodity, energy and emission products.

² Taking into account legally enforceable netting agreements.

Derivative transactions exposed to credit risk are subject to a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. The following table represents the rating split of our credit exposure from derivative instruments.

Derivative instruments by counterparty credit rating

end of	2014	2013
Derivative instruments (CHF billion)		
AAA	2.5	1.1
AA	9.1	8.5
A	9.2	6.6
BBB	11.8	9.9
BB or lower	5.1	4.6
OTC derivative instruments	37.7	30.7
Exchange-traded derivative instruments ¹	1.8	3.0
Total derivative instruments¹	39.5	33.7

¹ Taking into account legally enforceable netting agreements.

Derivative instruments by maturity and by counterparty credit rating for the Bank are not materially different, neither in absolute

amounts nor in terms of movements, from the information for the Group presented above.

Derivative instruments are categorized as exposures from trading activities (trading) and those qualifying for hedge accounting (hedging). Trading includes activities relating to market making, positioning and arbitrage. It also includes economic hedges where the Group enters into derivative contracts for its own risk management purposes, but where the contracts do not qualify for hedge accounting under US GAAP. Hedging includes contracts that qualify for hedge accounting under US GAAP, such as fair value hedges, cash flow hedges and net investment hedges.

► Refer to "Note 26 – Offsetting of financial assets and financial liabilities" in V – Consolidated financial statements – Credit Suisse Group for further information on offsetting of derivatives.

► Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information on derivatives, including an overview of derivatives by products categorized for trading and hedging purposes.

Forwards and futures

We enter into forward purchase and sale contracts for mortgage-backed securities, foreign currencies and commitments to buy or sell commercial and residential mortgages. In addition, we enter

into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts are typically entered into to meet the needs of customers, for trading and for hedging purposes.

On forward contracts, we are exposed to counterparty credit risk. To mitigate this credit risk, we limit transactions by counterparty, regularly review credit limits and adhere to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker in cash each day. As a result, our credit risk with the clearing broker is limited to the net positive change in the market value for a single day.

Swaps

Our swap agreements consist primarily of interest rate swaps, CDS, currency and equity swaps. We enter into swap agreements for trading and risk management purposes. Interest rate swaps are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. CDS are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. Currency swaps are contractual agreements to exchange payments in different currencies based on agreed notional amounts and currency pairs. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements.

Options

We write options specifically designed to meet the needs of customers and for trading purposes. These written options do not expose us to the credit risk of the customer because, if exercised, we and not our counterparty are obligated to perform. At the beginning of the contract period, we receive a cash premium. During the contract period, we bear the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, we purchase or sell cash or derivative financial instruments. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

We also purchase options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, we obtain the right to buy or sell the underlying instrument at a fixed price on or before a specified date. During the contract period, our risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our overall risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses of our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our ◻ OTC derivative and ◻ reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from ◻ G7 and non-G7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

As part of our global scenario framework, the counterparty credit risk stress testing framework measures counterparty exposure under scenarios calibrated to the 99th percentile for the worst one month and one year moves observed in the available history, as well as the absolutely worst weekly move observed in the same dataset. The scenario results are aggregated at the counterparty level for all our counterparties, including all European countries to which we have exposure. Furthermore, counterparty default scenarios are run where specific entities are set to default. In one of these scenarios, a European sovereign default is investigated. This scenario determines the maximum exposure we have against this country in case of its default and serves to identify those counterparties where exposure will rise substantially as a result of the modeled country defaulting.

The scenario framework also considers a range of other severe scenarios, including a specific eurozone crisis scenario which assumes the default of selected European countries, currently modeled to include Greece, Ireland, Italy, Portugal and Spain. It is assumed that the sovereigns, financial institutions and corporates within these countries default, with a 100% loss of sovereign and financial institutions exposures and a 0% to 100% loss of corporates depending on their credit ratings. As part of this scenario, we additionally assume a severe market sell-off involving an equity market crash, widening credit spreads, a rally in the price of gold and a devaluation of the euro. In addition, the eurozone crisis scenario assumes the default of a small number of our market counterparties that we believe would be severely affected by a default across the selected European countries. These counterparties are

assumed to default as we believe that they would be the most affected institutions because of their direct presence in the relevant countries and their direct exposures. Through these processes, revaluation and redenomination risks on our exposures are considered on a regular basis by our risk management function.

Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country even if its parent is located outside of the country.

The credit risk exposure in the table is presented on a risk-based view before deduction of any related allowance for loan losses. We present our credit risk exposure and related risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the positive replacement value (PRV) of derivative instruments after consideration of legally enforceable netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at issuer level.
- *Risk mitigation* includes credit default swaps (CDS) and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for Private Banking & Wealth Management exposure to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and total return swaps).

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS

counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranching CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable International Swaps and Derivatives Association (ISDA) master agreement that provides for daily margining.

Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Cyprus, Croatia, Greece, Ireland, Italy, Portugal and Spain as of December 31, 2014 was EUR 4.7 billion, up from EUR 4.3 billion as of December 31, 2013. Our net exposure to these sovereigns was EUR 0.5 billion, down from EUR 0.8 billion as of December 31, 2013. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2014 included net exposure to financial institutions of EUR 2.9 billion and to corporates and other counterparties of EUR 1.2 billion, compared to EUR 2.3 billion and EUR 1.9 billion, respectively, as of December 31, 2013. A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each respective country.

Sovereign debt rating developments

From year-end 2013 through February 28, 2015, the sovereign debt ratings of the countries listed in the table changed as follows: Standard & Poor's lowered Croatia's rating from BB+ to BB, increased Cyprus' rating from B- to B+, increased Ireland's rating from BBB+ to A, lowered Italy's rating from BBB to BBB-, and increased Spain's rating from BBB- to BBB. Fitch lowered Croatia's rating from BB+ to BB, increased Greece's rating from B- to B, increased Ireland's rating from BBB+ to A-, and increased Spain's rating from BBB to BBB+. Moody's increased Cyprus' rating from Caa3 to B3, increased Greece's rating from Caa3 to Caa1, increased Ireland's rating from Ba1 to Baa1, increased Portugal's rating from Ba3 to Ba1, and increased Spain's rating from Baa3 to Baa2. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

Selected European credit risk exposures

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

¹ Includes other hedges (derivative instruments), guarantees, insurance and collateral.

² Represents long inventory positions netted at issuer level.

³ Substantially all of which results from CDS; represents long positions net of short positions.

BOARD OF DIRECTORS**Membership and qualifications**

The AoA provide that the Board shall consist of a minimum of seven members. The Board currently consists of 13 members. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an effective and rapid decision-making process. The members are elected at the AGM by our shareholders individually for a period of one year and are eligible for re-election. Shareholders will also elect a member of the Board as the Chairman and each of the members of the Compensation Committee for a period of one year. One year of office is understood to be the period of time from one AGM to the close of the next AGM. Our OGR specify that the members of the Board shall generally retire after having served on the Board for 15 years.

The Board has four committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee. Except for the Compensation Committee members, the committee members are appointed by the Board for a term of one year. An overview of the Board and committee membership is shown in the following table. The composition of the Boards of the Group and the Bank is identical.

Members of the Board and Board committees

	Board member since	Current term end	Independence	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Risk Committee
December 31, 2014							
Urs Rohner, Chairman	2009	2015	Independent	Chairman	–	–	–
Jassim Bin Hamad J.J. Al Thani	2010	2015	Not independent	–	–	–	–
Iris Bohnet	2012	2015	Independent	–	–	Member	–
Noreen Doyle, Vice-Chair, Lead Independent Director	2004	2015	Independent	Member	Member	–	–
Jean-Daniel Gerber	2012	2015	Independent	–	Member	–	–
Andreas N. Koopmann	2009	2015	Independent	–	–	Member	Member
Jean Lanier	2005	2015	Independent	Member	Member	Chairman	–
Kai S. Nargolwala	2013	2015	Independent	–	–	Member	Member
Anton van Rossum	2005	2015	Independent	–	–	–	Member
Severin Schwan	2014	2015	Independent	–	–	–	Member
Richard E. Thornburgh, Vice-Chair	2006	2015	Independent	Member	Member	–	Chairman
Sebastian Thrun	2014	2015	Independent	–	–	–	Member
John Tiner	2009	2015	Independent	Member	Chairman	–	Member

Board changes

Peter Brabeck-Letmathe and Walter B. Kielholz stepped down from the Board at the 2014 AGM and Severin Schwan and Sebastian Thrun were elected as new members of the Board. At the 2015 AGM on April 24, 2015, Jean-Daniel Gerber and Anton van Rossum will be stepping down from the Board. The Board proposes that all other current members of the Board be re-elected to the Board at the 2015 AGM, proposes the re-election of Urs Rohner as Chairman and proposes Iris Bohnet, Andreas N. Koopmann, Jean Lanier and Kai S. Nargolwala as members of the Compensation Committee. The Board also proposes the election of Seraina Maag, President and CEO of Europe, Middle East and Africa (EMEA) for American International Group (AIG), to the Board.

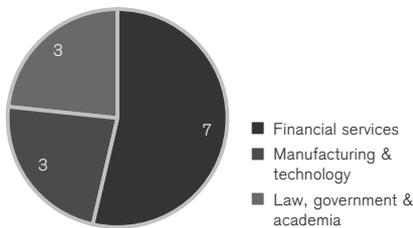
Board composition

The Chairman's and Governance Committee regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The Chairman's and Governance Committee recruits and evaluates candidates for Board

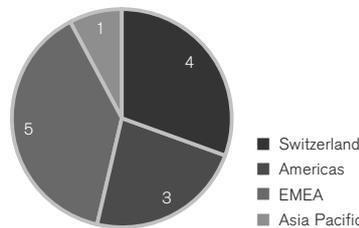
membership based on criteria as set forth by the Corporate Governance Guidelines and the OGR. The Chairman's and Governance Committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the Chairman's and Governance Committee considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the Chairman's and Governance Committee takes into account independence, diversity, age, skills and management experience in the context of the needs of the Board to fulfill its responsibilities. The Chairman's and Governance Committee also considers other activities and commitments of an individual in order to be satisfied that a proposed member of the Board can devote enough time to a Board position at the Group. The background, skills and experience of our Board members are diverse and broad and include holding top management positions at financial services and industrial companies in Switzerland and abroad or having held leading positions in government, academia and international organizations. The Board is composed of individuals with diverse experience, geographical origin and tenure.

Board composition

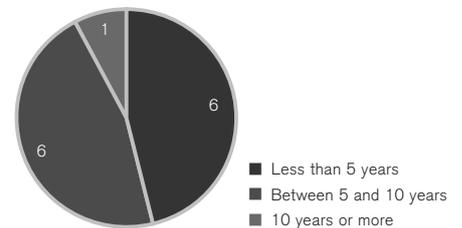
Industry experience



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 following the newly revised Swiss Code of Best Practice for Corporate Governance, we believe that other aspects including team dynamics and personal reputation of Board members play a critical role in ensuring the effective functioning of the Board. This is why we place the utmost importance on the right mix of personalities who are also fully committed to making their blend of specific skills and experience available to the Board.

New members

Any newly appointed member participates in an orientation program to become familiar with our organizational structure, strategic plans, significant financial, accounting and risk issues and other important matters. The orientation program is designed to take into account the new Board member's individual background and level of experience in each specific area. Moreover, the program's

focus is aligned with any committee memberships of the person concerned. Board members are encouraged to engage in continuing training. The Board and the committees of the Board regularly ask a specialist within the Group to speak about a specific topic to enhance the Board members' understanding of issues that already are, or may become, of particular importance to our business.

Meetings

In 2014, the Board held six meetings in person and nine additional meetings. In addition, the Board held a two-day strategy session. From time to time, the Board may also take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent.

All members of the Board are expected to spend the necessary time outside these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to

invite members of management or others to attend the meetings. Generally, the members of the Executive Board attend part of the meetings to ensure effective interaction with the Board. The Board also holds separate private sessions without management present. Minutes are kept of the proceedings and resolutions of the Board.

Meeting attendance

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve.

Meeting attendance

	Board of Directors ¹	Chairman's and Governance Committee ²	Audit Committee ³	Compensation Committee ⁴	Risk Committee ⁵
in 2014					
Total number of meetings held	15	10	18	10	7
Number of members who missed no meetings	4	3	3	2	5
Number of members who missed one meeting	7	1	2	0	1
Number of members who missed two or more meetings	4	3	0	2	2
Meeting attendance, in %	90	85	98	83	89

¹ The Board consisted of 13 members at the beginning of the year and at the end of the year, with 2 members joining the Board and 2 members leaving the Board as of the 2014 AGM.

² The Chairman's and Governance Committee consisted of six members at the beginning of the year and five members at the end of the year.

³ The Audit Committee consisted of four members at the beginning of the year and five members at the end of the year.

⁴ The Compensation Committee consisted of four members at the beginning and the end of the year.

⁵ The Risk Committee consisted of six members at the beginning of the year and seven members at the end of the year.

Mandates

Our Board members and Executive Board members may assume board or executive level or other roles in companies and organizations outside of the Group, which are collectively referred to as mandates. The Compensation Ordinance sets out that companies must include provisions in their articles of association, to define the activities that fall within the scope of a mandate and set limits on the number of mandates that board members and executive management may hold. According to the Group's AoA, mandates include activities in the most senior executive and management bodies of listed companies and all other legal entities that are obliged to obtain an entry in the Swiss commercial register or a corresponding foreign register. Each member of the Board may assume no more than four other mandates in listed companies and no more than five mandates in other legal entities, including private non-listed companies. Each member of the Executive Board may assume no more than one other mandate in a listed company and no more than two other mandates in other legal entities. The following mandates are exempt from this restriction: mandates in legal entities controlled by the Group, such as subsidiary boards; mandates in legal entities that are exercised on behalf of the Group, such as business and industry associations; and honorary mandates in charitable legal entities. Board and Executive Board members are each permitted to exercise a maximum of ten mandates on behalf of the Group and a maximum of ten honorary mandates in charitable legal entities.

No Board or Executive Board member holds mandates in excess of the restrictions described above.

Independence

The Board consists solely of non-executive directors within the Group, of which at least the majority must be determined to be

independent. In its independence determination, the Board takes into account the factors set forth in the Corporate Governance Guidelines, the OGR, the committee charters and applicable laws and listing standards. Our independence standards are also periodically measured against other emerging best practice standards.

The Chairman's and Governance Committee performs an annual assessment of the independence of each Board member and reports its findings to the Board for the final determination of independence of each individual member. The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance and the FINMA and the rules of the NYSE and Nasdaq in determining the definition of independence. In general, a director is considered independent if the director:

- is not, and has not been for the prior three years, employed as an executive officer of the Group or any of its subsidiaries;
- is not, and has not been for the prior three years, an employee or affiliate of our external auditor; and
- does not maintain a material direct or indirect business relationship with the Group or any of its subsidiaries.

Whether or not a relationship between the Group or any of its subsidiaries and a member of the Board is considered material depends in particular on the following factors:

- the volume and size of any transactions concluded in relation to the financial status and credit standing of the Board member concerned or the organization in which he or she is a partner, significant shareholder or executive officer;
- the terms and conditions applied to such transactions in comparison to those applied to transactions with counterparties of a similar credit standing;

- whether the transactions are subject to the same internal approval processes and procedures as transactions that are concluded with other counterparties;
- whether the transactions are performed in the ordinary course of business; and
- whether the transactions are structured in such a way and on such terms and conditions that the transaction could be concluded with a third party on comparable terms and conditions.

For Board members serving on the Compensation Committee, the independence determination considers all factors relevant to determining whether a director has a relationship with the Group that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to:

- the source of any compensation of the Compensation Committee member, including any consulting, advisory or other compensatory fees paid by the Group to such director; and
- whether the Compensation Committee member is affiliated with the Group, any of its subsidiaries or any affiliates of any of its subsidiaries.

Moreover, a Board member is not considered independent if the Board member is, or has been at any time during the prior three years, part of an interlocking directorate in which a member of the Executive Board serves on the compensation committee of another company that employs the Board member. The length of tenure a Board member has served is not a criterion for independence. Significant shareholder status is also not considered a criterion for independence unless the shareholding exceeds 10% of the Group's share capital. Board members with immediate family members who would not qualify as independent are also not considered independent. In addition to measuring Board members against the independence criteria, the Chairman's and Governance Committee also considers whether other commitments of an individual Board member prevent the person from devoting enough time to his or her Board mandate.

While the Group is not subject to such standards, the Board acknowledges that some proxy advisors apply different standards for assessing the independence of our Board members, including the length of tenure a Board member has served, annual compensation levels of Board members within a comparable range to executive pay or a Board member's former executive status further back than three years.

Independence determination

As of December 31, 2014, 12 members of the Board were determined by the Board to be independent.

At the time of his election to the Board in 2010, Mr. Bin Hamad J.J. Al Thani was determined not to be independent due to the scope of various business relationships between the Group and Qatar Investment Authority (QIA), a state-owned company that has close ties to the Al Thani family, and between the Group and the Al Thani family. The Group has determined that these

various business relationships could constitute a material business relationship.

Chairman of the Board

The Chairman is a non-executive member of the Board, in accordance with Swiss banking law, and performs his role on a full-time basis, in line with the practice expected by our main regulator, FINMA. The Chairman coordinates the work within the Board, works with the committee chairmen to coordinate the tasks of the committees and ensures that the Board members are provided with the information relevant for performing their duties. In particular, the Chairman drives the Board agenda and key Board topics, especially regarding the strategic development of the Group, succession planning, the structure and organization of the Group, corporate governance, as well as compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the Shareholder Meetings and takes an active role in representing the Group to key shareholders, investors, regulators and supervisors, industry associations and other stakeholders. The Chairman has no executive function within the Group. With the exception of the Chairman's and Governance Committee, the Chairman is not a member of any of the Board's standing committees. However, he may attend all or parts of selected committee meetings as a guest without voting power.

Segregation of duties

In accordance with Swiss banking law, the Group operates under a dual board structure, which strictly segregates the duties of supervision, which are the responsibility of the Board, from the duties of management, which are the responsibility of the Executive Board. The roles of the Chairman (non-executive) and the CEO (executive) are separate and carried out by two different people.

Vice-Chair

The Vice-Chair is a member of the Board and a designated deputy to the Chairman. The Vice-Chair assists the Chairman by providing support and advice to the Chairman, assuming the Chairman's role in the event of the Chairman's absence or indisposition and leading the Board accordingly. There may be one or more Vice-Chairs. As of the date of the 2014 AGM, Noreen Doyle and Richard E. Thornburgh were appointed as Vice-Chairs.

Lead Independent Director

According to the Group's OGR, the Board may appoint a Lead Independent Director. If the Chairman is determined not to be independent by the Board, the Board must appoint a Lead Independent Director. The Lead Independent Director may convene meetings without the Chairman being present. The Lead Independent Director takes a leading role among the Board members, particularly when issues between a non-independent Chairman and the independent Board members arise (for example, when the non-independent Chairman has a conflict of interest). In such role, the Lead Independent Director ensures that the work of the Board

and Board-related processes continue to run smoothly. As of the date of the 2014 AGM, Noreen Doyle was appointed as the Lead Independent Director.

Board responsibilities

In accordance with the OGR, the Board delegates certain tasks to Board committees and delegates the management of the company and the preparation and implementation of Board resolutions to certain management bodies or executive officers to the extent permitted by law, in particular Article 716a and 716b of the Swiss Code of Obligations, and the AoA.

With responsibility for the overall direction, supervision and control of the company, the Board regularly assesses our competitive position and approves our strategic and financial plans. At each ordinary meeting, the Board receives a status report on our financial results, capital, funding and liquidity situation. In addition, the Board receives, on a monthly basis, management information packages, which provide detailed information on our performance and financial status, as well as quarterly risk reports outlining recent developments and outlook scenarios. Management also provides the Board members with regular updates on key issues and significant events, as deemed appropriate or requested. In order to appropriately discharge their responsibilities, the members of the Board have access to all information concerning the Group.

The Board also reviews and approves significant changes in our structure and organization and is actively involved in significant projects including acquisitions, divestitures, investments and other major projects. The Board and its committees are entitled, without consulting with management and at the Group's expense, to engage external legal, financial or other advisors, as they deem appropriate, with respect to any matters within their authority.

Governance of Group subsidiaries

The Board assumes oversight responsibility for establishing appropriate governance for Group subsidiaries. In accordance with the OGR, the Board appoints or dismisses the chairperson and the members of the boards of the most important subsidiaries of the Group and approves their compensation. A policy naming the subsidiaries in scope and providing guidelines for the nomination and compensation process shall be reviewed by the Board on an annual basis.

Board evaluation

The Board performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the Board's objectives and determines future objectives, including any special focus objectives, and a work plan for the coming year. The Chairman does not participate in the discussion of his own performance. As part of the self-assessment, the Board evaluates its effectiveness with respect to a number of different aspects, including board structure and composition, communication and reporting, agenda setting and continuous improvement. From time to time, the Board may also mandate an external advisor to facilitate the evaluation process.

BOARD COMMITTEES

At each Board meeting, the committee chairmen report to the Board about the activities of the respective committees. In addition, the minutes and documentation of the committee meetings are accessible to all Board members.

Chairman's and Governance Committee

The Chairman's and Governance Committee consists of the Chairman, the Vice-Chairs and the chairmen of the committees of the Board and other members appointed by the Board. It may include non-independent Board members. Our Chairman's and Governance Committee consists of five members, all of whom are independent.

The Chairman's and Governance Committee has its own charter, which has been approved by the Board. It generally meets on a monthly basis and the meetings are also attended by the CEO. It is at the Chairman's discretion to ask other members of management or specialists to attend a meeting.

The Chairman's and Governance Committee acts as an advisor to the Chairman and supports him in the preparation of the Board meetings. In addition, the Chairman's and Governance Committee is responsible for the development and review of corporate governance guidelines, which are then recommended to the Board for approval. At least once annually, the Chairman's and Governance Committee evaluates the independence of the Board members and reports its findings to the Board for final determination. The Chairman's and Governance Committee is also responsible for identifying, evaluating, recruiting and nominating new Board members in accordance with the Group's internal criteria, subject to applicable laws and regulations.

In addition, the Chairman's and Governance Committee guides the Board's annual performance assessment of the Chairman, the CEO and the members of the Executive Board. The Chairman's and Governance Committee proposes to the Board the appointment, promotion, dismissal or replacement of members of the Executive Board. The Chairman's and Governance Committee also reviews succession plans for senior executive positions in the Group with the Chairman and the CEO.

The Chairman's and Governance Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

Audit Committee

The Audit Committee consists of at least three members, all of whom must be independent. The chairman of the Risk Committee is generally appointed as one of the members of the Audit Committee. Our Audit Committee consists of five members, all of whom are independent.

The Audit Committee has its own charter, which has been approved by the Board. The members of the Audit Committee are subject to independence requirements in addition to those required of other Board members. None of the Audit Committee members may be an affiliated person of the Group or may, directly or indirectly, accept any consulting, advisory or other compensatory fees from us other than their regular compensation as members of the Board and its committees. The Audit Committee charter stipulates that all Audit Committee members must be financially literate. In addition, they may not serve on the Audit Committee of more than two other companies, unless the Board deems that such membership would not impair their ability to serve on our Audit Committee.

In addition, the US Securities and Exchange Commission (SEC) requires disclosure about whether a member of the Audit Committee is an audit committee financial expert within the meaning of SOX. The Board has determined that John Tiner is an audit committee financial expert.

Pursuant to its charter, the Audit Committee holds meetings at least once each quarter, prior to the publication of our consolidated financial statements. Typically, the Audit Committee convenes for a number of additional meetings and workshops throughout the year. The meetings are attended by management representatives, as appropriate, the Head of Internal Audit and senior representatives of the external auditor. A private session with Internal Audit and the external auditors is regularly scheduled to provide them with an opportunity to discuss issues with the Audit Committee without management being present. The Head of Internal Audit reports directly to the Audit Committee chairman.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

- monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;
- monitoring the adequacy of the financial accounting and reporting processes and the effectiveness of internal controls over financial reporting;
- monitoring processes designed to ensure compliance by the Group in all significant respects with legal and regulatory requirements, including disclosure controls and procedures;
- monitoring the adequacy of the management of operational risks, jointly with the Risk Committee, including assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee; and
- monitoring the qualifications, independence and performance of the external auditors and of Internal Audit.

The Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigation matters as well as significant regulatory and compliance matters. The Audit Committee also oversees the work of our external auditor and pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services. For this purpose, it has developed and approved a policy that is designed to help ensure that the independence of the external auditor is maintained at all times. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. The external auditor is required to report periodically to the Audit Committee about the scope of the services it has provided and the fees for the services it has performed to date. Furthermore, the Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including a whistleblower hotline to provide the option to report complaints on a confidential, anonymous basis.

The Audit Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

Compensation Committee

The Compensation Committee consists of at least three members of the Board, all of whom must be independent. Our Compensation Committee consists of four members, all of whom are independent.

The Compensation Committee has its own charter, which has been approved by the Board. Pursuant to its charter, the Compensation Committee holds at least four meetings per year. Additional meetings may be scheduled at any time. The Compensation Committee's duties and responsibilities include reviewing the Group's compensation policy, establishing new compensation plans or amending existing plans and recommending them to the Board for approval, as well as reviewing the performance of the businesses and the respective management teams and determining and/or recommending to the Board for approval the overall variable compensation pools. The Compensation Committee proposes individual compensation for the Board members to the Board; discusses and recommends to the Board a proposal for the CEO's compensation; based on proposals by the CEO, discusses and recommends to the Board the Executive Board members' compensation; and reviews and recommends to the Board the compensation for individuals being considered for an Executive Board position. In accordance with the Compensation Ordinance, all such decisions are subject to AGM approval. The meetings are attended by management representatives, as appropriate.

The Compensation Committee is authorized to retain outside advisors, at the Group's expense, for the purpose of providing guidance to the Compensation Committee as it carries out its responsibilities. Prior to their appointment, the Compensation Committee conducts an independence assessment of the advisors pursuant to the rules of the SEC and the listing standards of the NYSE and the Nasdaq.

The Compensation Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

► Refer to "Compensation Committee" in Compensation – Group compensation for information on our compensation approach, principles and objectives and outside advisors.

Risk Committee

The Risk Committee consists of at least three members. It may include non-independent members. The chairman of the Audit Committee is generally appointed as one of the members of the Risk Committee. Our Risk Committee consists of seven members, all of whom are independent.

The Risk Committee has its own charter, which has been approved by the Board. Pursuant to its charter, the Risk Committee holds at least four meetings a year. In addition, the Risk Committee usually convenes for additional meetings throughout the year in order to appropriately discharge its responsibilities. The meetings are attended by management representatives, as appropriate.

The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits. The main duties and responsibilities of the Risk Committee include:

- reviewing and assessing the integrity and adequacy of the risk management function of the Group, in particular as it relates to market, credit and liquidity and funding risks;
- reviewing the adequacy of the Group's capital and its allocation to the Group's businesses;
- reviewing certain risk limits and regular risk reports and making recommendations to the Board;
- reviewing and assessing the Group's risk appetite framework;
- reviewing and assessing the adequacy of the management of reputational risks, jointly with the Audit Committee;
- reviewing and assessing the adequacy of the management of operational risks, including the adequacy of the internal control system, jointly with the Audit Committee; and
- reviewing the Group's policy in respect of corporate responsibility and sustainable development.

The Risk Committee is regularly informed about major initiatives aimed at responding to regulatory change and further improving risk management across the Group, including organizational

changes, changes to risk measurement methods and upgrades to risk systems infrastructure.

The Risk Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

BANKING RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Banking relationships

The Group is a global financial services provider. Many of the members of the Board and the Executive Board or companies associated with them maintain banking relationships with us. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Board or the Executive Board have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Board or the Executive Board and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Board, members of the Executive Board or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2014, 2013 and 2012, there was no loan exposure to such related parties that was not made in the ordinary course of business and at prevailing market conditions.

► Refer to "Board shareholdings and loans" and "Executive Board shareholdings and loans" in Compensation – Board of Directors Compensation and – Executive Board Compensation, respectively, for a list of the outstanding loans to members of the Board and the Executive Board.

Related party transactions

Exchange of tier 1 capital instruments

In February 2011, we entered into definitive agreements with entities affiliated with QIA and The Olayan Group, each of which has significant holdings of Group shares and other Group financial products, to issue tier 1 high-trigger capital instruments (new Tier 1 Capital Notes). Under the agreements, QIA and The Olayan Group agreed to purchase USD 3.45 billion new Tier 1 Capital Notes and CHF 2.5 billion new Tier 1 Capital Notes in exchange for their holdings of USD 3.45 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes issued in 2008 (together, the Tier 1 Capital Notes) or, in the event that the Tier 1 Capital Notes had been redeemed in full, for cash.

In July 2012, we entered into an amendment agreement with the entity affiliated with The Olayan Group to accelerate the exchange of USD 1.725 billion of the 11% tier 1 capital notes for an equivalent principal amount of new Tier 1 Capital Notes. In October 2013, based on the prior agreement with an

entity affiliated with QIA, we exchanged such entity's holding of USD 1.72 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes into equivalent principal amounts of new Tier 1 Capital Notes. These transactions were approved by FINMA.

Under their terms, the new Tier 1 Capital Notes will be converted into our ordinary shares if our reported common equity tier 1 (CET1) ratio, as determined under the Basel Committee on Banking Supervision regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless FINMA, at our request, has agreed on or prior to the publication of our quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The new Tier 1 Capital Notes will also be converted if FINMA determines that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances. In addition, conversion of the new Tier 1 Capital Notes issued to the entities affiliated with The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, our reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of our ordinary shares over a five-day period preceding the notice of conversion. In connection with the July 2012 exchange, the conversion floor price of the new Tier 1 Capital Notes delivered in the exchange as well as the remaining new Tier 1 Capital Notes that were exchanged in October 2013 was adjusted to match the conversion price of the mandatory and contingent convertible securities (MACCS) described below. The new Tier 1 Capital Notes are deeply subordinated, perpetual and callable by us no earlier than 2018 and in certain other circumstances with FINMA approval. Interest is payable on the USD 3.45 billion new Tier 1 Capital Notes and CHF 2.5 billion new Tier 1 Capital Notes at fixed rates of 9.5% and 9.0%, respectively, and will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of our current Board member Mr. Bin Hamad J.J. Al Thani and our then Board member Mr. Syriani, respectively, for purposes of evaluating the terms and

corporate governance of the original transaction. At that time, the Board (except for Mr. Bin Hamad J.J. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent capital instrument, for which there was no established market, and the terms of the Tier 1 Capital Notes issued in 2008 and held by QIA and The Olayan Group, were fair. As of April 26, 2013, Mr. Syriani retired from the Board and no other person affiliated with The Olayan Group has been elected as a Board member.

Settlement of mandatory and contingent convertible securities

In July 2012, we issued CHF 3.8 billion MACCS that mandatorily converted into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013. The settlement and delivery of shares occurred on April 8, 2013. Strategic and institutional investors purchased CHF 2.0 billion of MACCS and shareholders exercised preferential subscription rights for CHF 1.8 billion of MACCS. The conversion price corresponded to 95% of the volume weighted-average market price for the two trading days preceding the transaction. Investors in the MACCS included entities affiliated with QIA and The Olayan Group, which also have been deemed by the Group to be related parties of our current Board member Mr. Bin Hamad J.J. Al Thani and our then Board member Mr. Syriani. In addition to QIA and The Olayan Group, a number of other investors of the Group purchased the MACCS, including Norges Bank and the Capital Group Companies, Inc., which like QIA and The Olayan Group, have significant holdings of Group shares. The terms and conditions for the conversion of the MACCS were equally applicable to all purchasers.

Plus Bonds

In 2013, we awarded Plus Bonds to certain employees as deferred variable compensation in respect of their 2012 compensation. We provided members of the Executive Board who did not participate in the structuring of the Plus Bonds the opportunity to invest their own funds in instruments with substantially the same terms as the Plus Bond awards granted to employees. As a result, certain Executive Board members acquired an aggregate of CHF 9 million in Plus Bond instruments in February 2013.

► Refer to "Plus Bond awards" in Compensation – Discontinued compensation plans for further information.

► Refer to "Note 29 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information on related party transactions.

Biographies of the Board members

**Urs Rohner**

Born 1959
Swiss Citizen

Board member since 2009

Chairman of the Board

**Jassim Bin Hamad J.J. Al Thani**

Born 1982
Qatari Citizen

Board member since 2010

Professional history

2004–present	Credit Suisse Chairman of the Board and the Chairman's and Governance Committee (2011–present) Vice-Chair of the Board and member of the Chairman's and Governance Committee (2009–2011) Member of the Risk Committee (2009–2011) COO of the Bank (2006–2009) General Counsel of the Bank (2005–2009) General Counsel of the Group (2004–2009) Member of the Bank Executive Board (2005–2009) Member of the Group Executive Board (2004–2009)
2000–2004	ProSiebenSat.1 Media AG, Chairman of the Executive Board and CEO
1983–1999	Lenz & Staehelin Partner (1992–1999) Attorney (1983–1988; 1990–1992)
1988–1989	Sullivan & Cromwell LLP, New York, attorney

Education

1990	Admission to the bar of the State of New York
1986	Admission to the bar of the Canton of Zurich
1983	Degree in Law, University of Zurich, Switzerland

Other activities and functions

GlaxoSmithKline plc, board member
University of Zurich Department of Economics, chairman of the advisory board
International Institute for Management Development (IMD) foundation, board of trustees member
Swiss University Sports Foundation, board of trustees member
Mr. Rohner serves as a board, advisory board or board of trustees member in the following organizations in his capacity as Chairman of the Group: Swiss Bankers Association, Swiss Finance Council, Economiesuisse, Avenir Suisse, Alfred Escher Foundation, Lucerne Festival, European Banking Group, European Financial Services Round Table, Institute International d'Etudes Bancaires, Institute of International Finance (IIF) and International Business Leaders Advisory Council of the Mayor of Beijing.

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
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Other activities and functions

Q-RE LLC, chairman
Damaan Islamic Insurance Co. (BEEMA), chairman
QInvest, chairman
Qatar Insurance Company, board member
Qatar Navigation Company, board member


Iris Bohnet

Born 1966
Swiss Citizen

Board member since 2012

Professional history

2012–present	Credit Suisse Member of the Compensation Committee (2012–present)
1998–present	Harvard Kennedy School Director of the Women and Public Policy Program (2008–present) Professor of public policy (2006–present) Academic dean (2011–2014) Associate professor of public policy (2003–2006) Assistant professor of public policy (1998–2003)
1997–1998	Haas School of Business, University of California at Berkeley, visiting scholar

Education

1997	Doctorate in Economics, University of Zurich, Switzerland
1992	Master's degree in Economic History, Economics and Political Science, University of Zurich, Switzerland

Other activities and functions

University of Lucerne, board member
Vienna University of Economics and Business Administration, advisory board member
Decision Making and Negotiations Journal, advisory board member
Negotiations Center, University of Texas at Dallas, board member
Global Agenda Council on Behavior, member
Economic Dividends for Gender Equality (EDGE), advisory board member


Noreen Doyle

Born 1949
Irish and US Citizen

Board member since 2004

Vice-Chair of the Board
Lead Independent Director

Professional history

2004–present	Credit Suisse Vice-Chair and Lead Independent Director of the Board (2014–present) Member of the Chairman's and Governance Committee (2014–present) Member of the Audit Committee (2014–present) Non-executive director of Credit Suisse International and Credit Suisse Securities (Europe) Limited (two of the Group's UK subsidiaries) (2011–present); chair of the boards (2013–present); and chair of the audit committees (2011–2012) Member of the Risk Committee (2009–2014; 2004–2007) Member of the Audit Committee (2007–2009)
1992–2005	European Bank for Reconstruction and Development (EBRD) First vice president and head of banking (2001–2005) Deputy vice president finance and director of risk management (1997–2001) Chief credit officer and director of syndications (1994–1997) Head of syndications (1992–1994)
1974–1992	Bankers Trust Company, Houston, New York and London Managing director, European Structured Sales (1990–1992) Managing director, Structured Sales group (1986–1990) Division manager, Energy Finance group (1983–1986) Various positions in New York and Houston (1974–1983)

Education

1974	MBA in Finance, Tuck at Dartmouth College, New Hampshire
1971	BA in Mathematics, The College of Mount Saint Vincent, New York

Other activities and functions

Newmont Mining Corporation, board member
Macquarie Infrastructure Funds, advisory panel member
Sapphire Partners, advisory board member
Marymount International School, London, chair of the board of governors
Women in Banking and Finance in London, patron
Tuck European Advisory Board, member

**Jean-Daniel Gerber**

Born 1946
Swiss Citizen

Board member since 2012

Professional history

2012–present	Credit Suisse Member of the Audit Committee (2012–present)
2004–2011	Swiss Federal Council, Director of the State Secretariat for Economic Affairs (SECO)
1998–2004	Swiss Federal Office of Migration, director
1993–1997	World Bank Group, Washington D.C., executive director and dean (1997)
1991–1992	Swiss Federal Office for Foreign Economic Affairs, vice director and minister, head of the Development Policy Service
1987–1990	Swiss Embassy in Washington D.C., minister and head of the Economic, Financial and Commercial division
1973–1986	Various positions at the Swiss Federal Office for Foreign Economic Affairs (1973–1975; 1981–1986) and Member of the Swiss delegation to International Economics Organizations (1976–1980)

Education

2007	Honorary doctorate, Economics and Social Sciences, University of Bern, Switzerland
1972	Degree in Economics, University of Bern, Switzerland

Other activities and functions

Lonza Group AG, board member
Swiss Investment Fund for Emerging Markets, chairman of the board and investment committee
Swiss Society for Public Good, president
Japan Tobacco International (JTI) Foundation, board member
AO Alliance Foundation, member

**Andreas N. Koopmann**

Born 1951
Swiss and French Citizen

Board member since 2009

Professional history

2009–present	Credit Suisse Member of the Compensation Committee (2013–present) Member of the Risk Committee (2009–present)
1982–2009	Bobst Group S.A., Lausanne Group CEO (1995–2009) Member of the board (1998–2002) Executive Vice President (1994–1995) Member of the Group Executive Committee, head of manufacturing (1991–1994) Management positions in engineering and manufacturing (1982–1991)
1979–1982	Bruno Piatti AG and Motor Columbus AG, various positions

Education

1978	MBA, International Institute for Management Development, Switzerland
1976	Master's degree in Mechanical Engineering, Swiss Federal Institute of Technology, Switzerland

Other activities and functions

Nestlé SA, board member and vice-chairman
Georg Fischer AG, chairman of the board
CSD Group, board member
Sonceboz SA, board member
Spencer Stuart, Switzerland, advisory board member
Economiesuisse, board member
EPFL, Lausanne, Switzerland, strategic advisory board member
EPFL+ Foundation, member of the board of trustees

**Jean Lanier**

Born 1946
French Citizen

Board member since 2005

Professional history

2005–present	Credit Suisse
	Chairman of the Compensation Committee (2013–present)
	Member of the Chairman's and Governance Committee (2013–present)
	Member of the Compensation Committee (2011–present)
	Member of the Audit Committee (2005–present)
1990–2004	Euler Hermes Group, Paris
	Chairman of the managing board and group CEO (1998–2004)
	Chairman of the boards of principal subsidiaries (1998–2004)
	Managing director of Euler Group (1997–1998)
	COO and managing director of SFAC (subsequently Euler Hermes SFAC) (1990–1997)
1988–1990	Pargesa Group, Paris and Geneva, managing director
1983–1989	Lambert Brussels Capital Corporation, New York, president
1970–1983	Paribas Group, various positions, among others: senior vice president of the finance division and senior executive for North America

Education

1970	Master of Science in Operations Research and Finance, Cornell University, New York
1969	Master's degree, Engineering, Ecole Centrale des Arts et Manufactures, Paris

Other activities and functions

Swiss RE Europe SA, Swiss RE International SE and Swiss RE Europe Holdings SA (subsidiaries of Swiss Re AG), chairman of the board
La Fondation Internationale de l'Arche, chairman of the board
Friends of l'Arche Long Island, chairman of the board
Association Jean Vanier, board member

**Kai S. Nargolwala**

Born 1950
Singapore Citizen

Board member since 2013

Professional history

2008–present	Credit Suisse
	Member of the Compensation Committee (2014–present)
	Member of the Risk Committee (2013–present)
	Non-executive chairman of Credit Suisse's Asia-Pacific region (2010–2011)
	Member of the Executive Board (2008–2010)
	CEO of Credit Suisse Asia Pacific region (2008–2010)
1998–2007	Standard Chartered plc, main board executive director
1976–1995	Bank of America
	Group executive vice president and head of Asia Wholesale Banking group in Hong Kong (1990–1995)
	Head of High Technology Industry group in San Francisco and New York (1984–1990)
	Various management and other positions in the UK, the US and Asia (1976–1984)
1970–1976	Peat Marwick Mitchell & Co., London, accountant

Education

1974	Fellow of the Institute of Chartered Accountants (FCA), England and Wales
1969	BA in Economics, University of Delhi

Other activities and functions

Prudential plc, member of the board
Singapore Telecommunications Ltd., board member and lead independent director
PSA International Pte. Ltd. Singapore, board member
Clifford Capital Pte. Ltd., director and non-executive chairman
Monetary Authority of Singapore,
Singapore Capital Markets Committee member
Casino Regulatory Authority in Singapore, board member
Duke-NUS Graduate Medical School, Singapore, chairman of the governing board

**Anton van Rossum**

Born 1945
Dutch Citizen

Board member since 2005

**Severin Schwan**

Born 1967
Austrian and German Citizen

Board member since 2014

Professional history

2005–present	Credit Suisse Member of the Risk Committee (2008–present) Member of the Compensation Committee (2005–2008)
2000–2004	Fortis Inc. Chairman of the board, Fortis Inc. (New York) CEO and board member, Fortis (Belgium) Chairman of the boards of principal subsidiaries (Belgium)
1972–2000	McKinsey and Company Director of McKinsey Belgium (1986–2000) Principal at McKinsey, Netherlands and Belgium (1979–1986) Various positions in the Netherlands and Scandinavia (1972–1979)

Education

1969	Master's degree, Economics and Business Administration, Erasmus University, Rotterdam
1965	Bachelor's degree, Economics and Business Administration, Erasmus University, Rotterdam

Other activities and functions

Munich Re AG, member of the supervisory board
Royal Vopak NV, Rotterdam, chairman of the supervisory board
Netherlands Economics Institute, Rotterdam, chairman of the board of trustees
Rotterdam School of Management, chairman of the supervisory board

Professional history

2014–present	Credit Suisse Member of the Risk Committee (2014–present)
1993–present	Roche Group CEO (2008–present) CEO, Division Roche Diagnostics (2006–2008) Head Asia Pacific Region, Roche Diagnostics Singapore (2004–2006) Head Global Finance & Services, Roche Diagnostics Basel (2000–2004) Various management and other positions with Roche Germany, Belgium and Switzerland (1993–2000)

Education

1993	Doctor of Law, University of Innsbruck, Austria
1991	Master's degrees in Economics and Law, University of Innsbruck, Austria

Other activities and functions

Roche Holding Ltd., board member
European Round Table for Industrialists, member
International Business Leaders Advisory Council for the Mayor of Shanghai, member


Richard E. Thornburgh

Born 1952
US Citizen

Board member since 2006

Vice-Chair of the Board

Professional history

1995–present	Credit Suisse Vice-Chair (2014–present) Non-executive director of Credit Suisse International and Credit Suisse Securities (Europe) Limited – two of the Group's UK subsidiaries (2013–present) Member of the Audit Committee (2011–present) Chairman of the Risk Committee (2009–present) Member of the Chairman's and Governance Committee (2009–present) Member of the Risk Committee (2006–present) Member of the Group Executive Board in various executive roles including Group CRO, Group CFO and CFO Investment Banking (1997–2005) Chief financial and administrative officer and member of the executive board of Credit Suisse First Boston (1995–1996) Began investment banking career in New York with The First Boston Corporation (predecessor firm of Credit Suisse First Boston)
2006–present	Corsair Capital LLC, New York, vice-chairman

Education

2009	Honorary Doctorate, Commercial Sciences, University of Cincinnati, Ohio
1976	MBA Finance, Harvard University, Cambridge, Massachusetts
1974	BBA Finance, University of Cincinnati, Ohio

Other activities and functions

McGraw Hill Financial, board member
Reynolds American Inc., board member
New Star Financial Inc., board member and lead director
CapStar Bank, board member
University of Cincinnati, investment committee member
University of Cincinnati Foundation, executive committee member
Convent of the Sacred Heart, trustee and investment committee member
St. Xavier High School, trustee and finance committee member


Sebastian Thrun

Born 1967
German and US Citizen

Board member since 2014

Professional history

2014–present	Credit Suisse Member of the Risk Committee (2014–present)
2012–present	Udacity, co-founder and CEO
2007–2014	Google Corporation, Google Fellow and vice president
2003–present	Stanford University Research Professor (2011–present) Professor (2003–2011)
1995–2003	Carnegie Mellon University, Associate Professor

Education

1995	Doctorate in Computer Science and Statistics, University of Bonn, Germany
1993	Masters in Computer Science, University of Bonn, Germany
1988	Degree in Computer Science, University of Hildesheim, Germany

Other activities and functions

Robotics Science and Systems Foundation, member and treasurer

**John Tiner**

Born 1957
British Citizen

Board member since 2009

Honorary Chairman of Credit Suisse Group**Rainer E. Gut**

Born 1932
Swiss Citizen

Rainer E. Gut was appointed Honorary Chairman of the Group in 2000 after he retired as Chairman, a position he had held since 1986. Mr. Gut was a member of the board of Nestlé SA, Vevey, from 1981 to 2005, where he was vice-chairman from 1991 to 2000 and chairman from 2000 to 2005.

As Honorary Chairman, Mr. Gut does not have any function in the governance of the Group and does not attend the meetings of the Board.

Secretaries of the Board**Pierre Schreiber****Joan E. Belzer****Professional history**

2009–present	Credit Suisse
	Chairman of the Audit Committee (2011–present)
	Member of the Chairman's and Governance Committee (2011–present)
	Member of the Risk Committee (2011–present)
	Member of the Audit Committee (2009–present)
2008–2013	Resolution Operations LLP, CEO
2001–2007	Financial Services Authority (FSA)
	CEO (2003–2007)
	Managing director of the investment, insurance and consumer directorate (2001–2003)
1976–2001	Arthur Andersen, UK
	Managing partner, UK Business Consulting (1997–2001)
	Managing partner, Worldwide Financial Services practice (1997–2001)
	Head of UK Financial Services practice (1993–1997)
	Partner in banking and capital markets (1988–1997)
	Auditor and consultant, Tansley Witt (later Arthur Anderson UK) (1976–1988)

Education

2010	Honorary Doctor of Letters, Kingston University, London
1980	UK Chartered Accountant, Institute of Chartered Accountants in England and Wales

Other activities and functions

Corsair Capital LLC, advisory board member
The Urology Foundation, chairman

EXECUTIVE BOARD

Members of the Executive Board

The Executive Board is responsible for the day-to-day operational management of the Group. It develops and implements the strategic business plans for the Group overall as well as for the principal businesses, subject to approval by the Board. It further reviews and coordinates significant initiatives, projects and business developments in the divisions, regions and in the Shared Services functions and establishes Group-wide policies. The composition of the Executive Board of the Group and the Bank is identical.

Effective October 17, 2014, Eric Varvel was appointed as Chairman Asia Pacific and Middle East and stepped down from the Executive Board and his position as joint head of the Investment Banking division. James L. Amine and Timothy P. O'Hara were appointed to the Executive Board to jointly lead the Investment Banking division with Gaël de Boissard. James L. Amine will

continue to have responsibility for the investment banking department, while Timothy P. O'Hara will continue to head the equities business and his role as President and CEO of Credit Suisse Securities USA remains unchanged. Gaël de Boissard will continue to head the fixed income business, and his role as regional CEO of EMEA remains unchanged.

On March 10, 2015, we announced that the Board has appointed Tidjane Thiam as the new CEO of the Group. He will take over this position from Brady W. Dougan, who will step down at the end of June 2015, after eight years as the CEO of the Group. Tidjane Thiam currently is Group Chief Executive of Prudential plc, a London-based international financial services group with operations in the US, Asia, Europe and Latin America.

The size of the Executive Board increased from nine to ten members during 2014.

Members of the Executive Board

	Executive Board member since	Role
December 31, 2014		
Brady W. Dougan, Chief Executive Officer	2003	Group CEO
James L. Amine, Joint Head of Investment Banking ¹	2014	Divisional Head
Gaël de Boissard, Joint Head of Investment Banking and Regional CEO EMEA	2013	Divisional & Regional Head
Romeo Cerutti, General Counsel	2009	Shared Services Head
David R. Mathers, Chief Financial Officer and Head of IT and Operations	2010	Shared Services Head
Hans-Ulrich Meister, Joint Head of Private Banking & Wealth Management and Regional CEO Switzerland	2008	Divisional & Regional Head
Joachim Oechslin, Chief Risk Officer	2014	Shared Services Head
Timothy P. O'Hara, Joint Head of Investment Banking ¹	2014	Divisional Head
Robert S. Shafir, Joint Head of Private Banking & Wealth Management and Regional CEO Americas	2007	Divisional & Regional Head
Pamela A. Thomas-Graham, Chief Marketing and Talent Officer and Head of Private Banking & Wealth Management New Markets	2010	Shared Services Head

¹ Appointed on October 17, 2014 as a new Executive Board member with immediate effect.

Executive Board mandates

Our Executive Board members may, similar to our Board members, assume board or executive level or other roles in companies and organizations outside of the Group, which are collectively referred to as mandates. According to the Group's AoA, the number of mandates Executive Board members may hold in listed companies and other organizations outside of the Group is subject to certain

restrictions, in order to comply with the Compensation Ordinance and to ensure that our Executive Board members dedicate sufficient time to fulfil their executive roles.

No Executive Board member holds mandates in excess of the restrictions as set forth in our AoA.

► Refer to "Mandates" for further information.

Biographies of the Executive Board members

**Brady W. Dougan**

Born 1959
US Citizen

Member since 2003

Chief Executive Officer

**James L. Amine**

Born 1959
US Citizen

Member since 2014

Joint Head of Investment Banking

Professional history

1990–present	Credit Suisse
	Chief Executive Officer of the Group (2007–present)
	CEO of Investment Banking and Americas (2006–2007)
	Member of the Committee of the Group Executive Board (2004–2005)
	CEO of Credit Suisse First Boston (2004–2005)
	Co-president of Institutional Securities of Credit Suisse First Boston (2002–2004)
	Member of the Executive Board of Credit Suisse First Boston (2001–2005)
	Global head of the Securities Division of Credit Suisse First Boston (2001–2002)
	Head of Equities of Credit Suisse First Boston (1996–2001)
	Various functions within Credit Suisse First Boston (1990–1996)
Prior to 1990	Bankers Trust, derivatives group

Education

1982	MBA in Finance, University of Chicago, Illinois
1981	BA in Economics, University of Chicago, Illinois

Other activities and functions

Humacyte Inc., board member
University of Chicago, board of trustees member
Barbara Dougan Foundation, director

Professional history

1997–present	Credit Suisse
	Joint Head of Investment Banking, responsible for the Investment Banking Department (2014–present)
	Head of Investment Banking Department (2012–present)
	Co-Head of Investment Banking Department, responsible for the Americas and Asia Pacific (2010–2012)
	Co-Head of Investment Banking Department, responsible for EMEA and Asia Pacific and Head of Global Market Solutions Group (2008–2010)
	Head of European Global Markets Solutions Group and Co-Head of Global Leveraged Finance (2005–2008)
	Head of European Leveraged Finance (1999–2000; 2003–2005), Co-Head (2000–2003)
	Various functions within High-Yield Capital Markets of Credit Suisse First Boston (1997–1999)
Prior to 1997	Cravath, Swaine & Moore, attorney

Education

1984	JD, Harvard Law School
1981	BA, Brown University

Other activities and functions

Harvard Law School, dean's advisory board member
Caramoor Center for Music and the Arts, board member
Leadership Committee of Lincoln Center Corporate Fund, member

**Gaël de Boissard**

Born 1967
French Citizen

Member since 2013

Joint Head of Investment Banking
Regional CEO EMEA

Professional history

2001–present	Credit Suisse Joint Head of Investment Banking, responsible for the Fixed Income business (2013–present) Regional CEO EMEA (2013–present) Co-Head of Global Securities, Investment Banking (2008–2012) Head of Interest Rate Products, Europe and Asia, Investment Banking (2001–2007)
1990–2001	JPMorgan Chase Member of European Management Committee (1998–2001) Head of European Rates (1997–1998) Head of European Government Bond Trading (1994–1997) Various positions in fixed income (1990–1994)

Education

1990	Degree in Mathematics and Civil Engineering, Ecole Polytechnique, Palaiseau, France
1989	Degree in Russian, University of Volgograd

**Romeo Cerutti**

Born 1962
Swiss and Italian Citizen

Member since 2009

General Counsel

Professional history

2006–present	Credit Suisse General Counsel (2009–present) Global Co-Head of Compliance, Bank (2008–2009) General Counsel, Private Banking division (2006–2009)
1999–2006	Lombard Odier Darier Hentsch & Cie Partner of the Group Holding (2004–2006) Head of Corporate Finance (1999–2004)
1995–1999	Homburger Rechtsanwälte, Zurich, attorney-at-law
1993–1995	Latham and Watkins, Los Angeles, attorney-at-law

Education

1998	Post-doctorate degree in Law (Habilitation), University of Fribourg
1992	Admission to the bar of the State of California
1992	Master of Law (LLM), University of California, Los Angeles
1990	Doctorate in Law, University of Fribourg
1989	Admission to the bar of the Canton of Zurich
1986	Master in Law (lic.iur.), University of Fribourg

Other activities and functions

University of Fribourg, board of trustees member
Association Friends of the Zurich Art Museum, board member

**David R. Mathers**

Born 1965
British Citizen

Member since 2010

Chief Financial Officer

**Hans-Ulrich Meister**

Born 1959
Swiss Citizen

Member since 2008

Joint Head of Private Banking &
Wealth Management
Regional CEO Switzerland

Professional history

1998–present	Credit Suisse
	Head of IT and Operations (2012–present)
	Chief Financial Officer (2010–present)
	Head of Finance and COO of Investment Banking (2007–2010)
	Senior positions within Credit Suisse's Equity business, including Director of European Research and Co-Head of European Equities (1998–2007)
1987–1998	HSBC
	Global head of equity research (1997–1998)
	Research analyst, HSBC James Capel (1987–1997)

Education

1991	MA in Natural Sciences, University of Cambridge, England
1987	BA in Natural Sciences, University of Cambridge, England

Other activities and functions

Member of the Council of the British-Swiss Chamber of Commerce
Member of the European CFO Network
Sponsor of academic awards and research grants at Robinson College, Cambridge

Professional history

2008–present	Credit Suisse
	Joint Head of Private Banking & Wealth Management (2012–present)
	Regional CEO Switzerland (2008–present)
	CEO of Private Banking (2011–2012)
	Chairman of Clariden Leu AG (2011–2012)
	Board member of Clariden Leu AG (2008–2012)
	Head of Private & Business Banking Switzerland (2008–2011)
1983–2007	UBS
	Member of the group management board (2004–2007)
	Head of private and business banking (2005–2007)
	Head of large corporates and multinationals (2003–2005)
	Wealth management USA, New York (2002–2003)
	Head of corporate banking region Zurich (1999–2002)
	Various functions (1983–1999)

Education

2000/2002	Advanced Management programs at Wharton School, University of Pennsylvania, and Harvard Business School, Massachusetts
1987	Economics and Business Administration, University of Applied Sciences, Zurich

Other activities and functions

Swiss Finance Institute, foundation board member
Zurich Chamber of Commerce, board member and board committee member
International Center for Monetary and Banking Studies (ICMB), foundation board member
Ulrico Hoeppli Foundation, foundation board member
Stiftung Zurich Zoo, foundation board member


Joachim Oechslin

Born 1970
Swiss Citizen

Member since 2014

Chief Risk Officer

Professional history

2014–present	Credit Suisse Chief Risk Officer (2014–present)
2007–2013	Munich Re Group, Chief Risk Officer
2007	AXA Group, deputy Chief Risk Officer
2001–2006	Winterthur Swiss Insurance Company Member of the executive board (2006) Chief Risk Officer (2003–2006) Head of risk management (2001–2003)
1998–2001	McKinsey & Company, consultant

Education

1998	Licentiate/Master of Science in Mathematics, Swiss Federal Institute of Technology (ETH), Zurich
1994	Engineering degree, Higher Technical Institute (HTL), Winterthur

Other activities and functions

Member of the International Financial Risk Institute
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Timothy P. O'Hara

Born 1964
US Citizen

Member since 2014

Joint Head of Investment Banking

Professional history

1986–present	Credit Suisse Joint Head of Investment Banking, responsible for the Equities business (2014–present) President and CEO of Credit Suisse Securities (USA) LLC (2012–present) Global Head of Equities (2012–2014) Co-Head of Global Securities (2011–2012) Head of Fixed Income, North America (2009–2011) Head of Global Credit Products (2008–2011) Global Head of Leveraged Finance (2005–2008) Global Head of High Yield Capital Markets and Head of US High Yield Capital Markets (2000–2005) Head of Origination/Banking, High Yield (1998–2000) Various senior management and other positions in Investment Banking (1986–1998)
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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

**Robert S. Shafr**

Born 1958
US Citizen

Member since 2007

Joint Head of Private Banking &
Wealth Management
Regional CEO Americas

**Pamela A. Thomas-Graham**

Born 1963
US Citizen

Member since 2010

Chief Marketing and Talent Officer and
Head of Private Banking &
Wealth Management New Markets

Professional history

2007–present	Credit Suisse
	Joint Head of Private Banking & Wealth Management (2012–present)
	Regional CEO Americas (2012–present)
	CEO of Asset Management (2008–2012)
	CEO of the Americas region (2007–2010)
1990–2006	Lehman Brothers
	Senior Relationship Manager (2005–2006)
	Head of global equity division (2000–2005)
	Head of global equity trading (1998–2000)
	Head of European equity (1996–1998)
	COO European equity (1995–1996)
	Head of Lehman Commercial Paper (1994–1995)
	Senior positions in Preferred Stock Sales (1990–1994)
1984–1990	Morgan Stanley, vice president, preferred stock business within the fixed income division

Education

1984	MBA, Columbia University, Graduate School of Business, New York
1980	BA in Economics, Lafayette College, Pennsylvania

Other activities and functions

Cystic Fibrosis Foundation, board member

Professional history

2010–present	Credit Suisse
	Chief Marketing and Talent Officer and Head of Private Banking & Wealth Management New Markets (2013–present)
	Chief Talent, Branding and Communications Officer (2010–2013)
2008–2010	Angelo, Gordon & Co., managing director in the private equity group
2005–2008	Liz Claiborne Inc., several senior management positions, including senior vice president of Global Brand Development
1999–2005	NBC
	NBC Universal/CNBC, president, CEO and chair (2001–2005)
	NBC Universal/CNBC, president and COO (2001)
	CNBC.com, president and CEO (1999–2001)
1989–1999	McKinsey & Company
	Partner (1995–1999)
	Associate (1989–1995)

Education

1989	JD, Harvard Law School, Massachusetts
1989	MBA, Harvard Business School, Massachusetts
1985	BA in Economics, Harvard University, Massachusetts

Other activities and functions

The Clorox Company, board member
Parsons School of Design, board of governors member
Museum of Modern Art, Trustee Education Committee, member
Council on Foreign Relations, member
Economic Club of New York, member
Eaglebrook School, board member
Metropolitan Museum of Art, member of the Business Committee
New York Philharmonic, board member

ADDITIONAL INFORMATION

Changes in control and defense measures

Duty to make an offer

Swiss law provides that anyone who, directly or indirectly or acting in concert with third parties, acquires 33⅓% or more of the voting rights of a listed Swiss company, whether or not such rights are exercisable, must make an offer to acquire all of the listed equity securities of such company, unless the AoA of the company provides otherwise. Our AoA does not include a contrary provision. This mandatory offer obligation may be waived under certain circumstances by the Swiss Takeover Board or FINMA. If no waiver is granted, the mandatory offer must be made pursuant to procedural rules set forth in the SESTA and the implementing ordinances.

Clauses on changes in control

Subject to certain provisions in the Group's employee compensation plans, which allow for the Compensation Committee or Board to determine the treatment of outstanding awards for all employees in the case of a change in control, there are no provisions that require the payment of extraordinary benefits in the case of a change in control in the agreements and plans benefiting members of the Board and the Executive Board or any other members of senior management. Specifically, there are no contractually agreed severance payments in the case of a change in control of the Group.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Compensation Committee or the Board. In the case of a change in control, there are no provisions in the employment contracts of Executive Board members that require the payment of any type of extraordinary benefits, including special severance awards.

Internal and external auditors

Auditing forms an integral part of corporate governance at the Group. Both internal and external auditors have a key role to play by providing an independent assessment of our operations and internal controls.

Internal Audit

Our Internal Audit function comprises a team of around 250 professionals, substantially all of whom are directly involved in auditing activities. The Head of Internal Audit, Martyn Scrivens, reports directly to the Audit Committee chairman.

Internal Audit performs an independent and objective assurance function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal Audit is responsible for carrying out periodic audits in line with the Regulations of Internal Audit approved by the Audit Committee. It regularly and independently assesses the risk exposure of our various business activities, taking into account industry

trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining areas of audit concentration and specifying resource requirements for approval by the Audit Committee.

As part of its efforts to achieve best practice, Internal Audit regularly benchmarks its methods and tools against those of its peers. In addition, it submits periodic internal reports and summaries thereof to the management teams as well as the Chairman and the Audit Committee chairman. The Head of Internal Audit reports to the Audit Committee at least quarterly and more frequently as appropriate. Internal Audit coordinates its operations with the activities of the external auditor for maximum effect.

External auditors

Our statutory auditor is KPMG AG (KPMG), Badenerstrasse 172, 8004 Zurich, Switzerland. The mandate was first given to KPMG for the business year 1989/1990. The lead Group engagement partners are Anthony Anzevino, Global Lead Partner (since 2012) and Simon Ryder, Group Engagement Partner (since 2010).

In addition, we have mandated BDO AG, Fabrikstrasse 50, 8031 Zurich, Switzerland, as special auditor for the purposes of issuing the legally required report for capital increases in accordance with Article 652f of the Swiss Code of Obligations, mainly relating to the valuation of companies in consideration of the qualified capital increases involving contributions in kind.

The Audit Committee monitors and pre-approves the fees to be paid to KPMG for its services.

Fees paid to external auditors

	2014	2013	% change
Fees paid to external auditors (CHF million)			
Audit services ¹	39.8	36.7	8
Audit-related services ²	6.7	6.4	5
Tax services ³	2.4	4.9	(51)

¹ Audit fees include the integrated audit of the Group's consolidated and statutory financial statements, interim reviews and comfort and consent letters. Additionally they include all assurance and attestation services related to the regulatory filings of the Group and its subsidiaries.

² Audit-related services are primarily in respect of: (i) reports related to the Group's compliance with provisions of agreements or calculations required by agreements; (ii) accounting advice; (iii) audits of private equity funds and employee benefit plans; and (iv) regulatory advisory services.

³ Tax services are in respect of tax compliance and consultation services, including: (i) preparation and/or review of tax returns of the Group and its subsidiaries; (ii) assistance with tax audits and appeals; and (iii) confirmations relating to the Qualified Intermediary status of Group entities.

KPMG attends all meetings of the Audit Committee and reports on the findings of its audit and/or interim review work. The Audit Committee reviews on an annual basis KPMG's audit plan and evaluates the performance of KPMG and its senior representatives in fulfilling its responsibilities. Moreover, the Audit Committee recommends to the Board the appointment or replacement of the external auditor, subject to shareholder approval as required by Swiss law.

KPMG provides a report as to its independence to the Audit Committee at least once a year. In addition, our policy on the engagement of public accounting firms, which has been approved by the Audit Committee, strives to further ensure an appropriate degree of independence of our external auditor. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. In accordance with this policy and as in prior years, all KPMG non-audit

services provided in 2014 were pre-approved. KPMG is required to report to the Audit Committee periodically regarding the extent of services provided by KPMG and the fees for the services performed to date.

American Depositary Share fees

Fees and charges for holders of ADS

In accordance with the terms of the Deposit Agreement, Deutsche Bank Trust Company Americas, as depositary for the ADS (Depositary), may charge holders of our ADS, either directly or indirectly, fees or charges up to the amounts described below.

Fees and charges for holders of ADS

Fees	
USD 5 (or less) per 100 ADS (or portion thereof)	For the issuance of ADS, including issuances resulting from a distribution of shares, share dividends, share splits and other property; for ADS issued upon the exercise of rights; and for the surrender of ADS for cancellation and withdrawal of shares.
USD 2 per 100 ADS	For any distribution of cash to ADS registered holders, including upon the sale of rights or other entitlements.
Registration or transfer fees	For the transfer and registration of shares on our share register to or from the name of the Depositary or its agent when the holder deposits or withdraws shares.
Charges	
Expenses of the Depositary	For cable, telex and facsimile transmissions (when expressly provided in the deposit agreement); and for converting foreign currency to US dollars.
Taxes and other governmental charges	Paid, as necessary, to the Depositary or the custodian who pays certain charges on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or applicable interest or penalty thereon.
Other charges	Paid, as necessary, to the Depositary or its agents for servicing the deposited shares.

The Depositary collects its fees for the delivery and surrender of ADS directly from investors depositing shares or surrendering ADS for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to holders by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may generally refuse to provide fee services until its fees for those services are paid.

Amounts paid by the Depositary to the Group

In accordance with the Group's engagement letter, in 2014 the Depositary made payments to the Group of USD 1.2 million, including for the reimbursement of expenses relating to its American Depositary Receipt (ADR) program. The Depositary has also contractually agreed to provide certain ADR program-related services free of charge.

Under certain circumstances, including removal of the Depositary or termination of the ADR program by the Group, the Group is required to repay certain amounts paid to the Group and to compensate the Depositary for payments made or services provided on behalf of the Group.

Liquidation

Under Swiss law and our AoA, we may be dissolved at any time by a shareholders' resolution which must be passed by:

- a supermajority of at least three-quarters of the votes cast at the meeting in the event we are to be dissolved by way of liquidation; and
- a supermajority of at least two-thirds of the votes represented and an absolute majority of the par value of the shares represented at the meeting in other events.

Dissolution by court order is possible if we become bankrupt. Under Swiss law, any surplus arising out of liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up par value of shares held.

Compensation

DEAR SHAREHOLDERS

In 2014, the environment for compensation regulation and practices was characterized by continued regional fragmentation in compensation related regulatory developments and significant divergence in compensation levels for comparable financial services functions between the US and Europe. In addition, unusual market conditions as reflected in unprecedented low interest rates and volatility, as well as further evolution in the capital rules, caused banking sector participants to reexamine their strategies. Against this backdrop, the Compensation Committee of the Board (Compensation Committee) and senior management continued to review and refine our compensation practices in pursuit of the right balance between meeting shareholders' expectations in terms of performance-based compensation, paying our employees competitively in line with the market, and responding appropriately to the regulatory environment.

Key developments in 2014

The Group strives for competitiveness by paying market-informed, competitive compensation levels for comparable roles and experience. The Compensation Committee uses the services of external compensation consultants to benchmark compensation levels against relevant peers. Taking into account geographical variations of pay levels for similar roles and responsibilities has become increasingly important in the last few years. More pronounced regulatory interventions within the EU have resulted in significant differences between Europe and the US, both in terms of structure (fixed versus variable pay) and absolute levels of compensation. Following a review of leading providers with particular emphasis on the ability to provide comprehensive access to performance and reward data within the financial services industry, the Compensation Committee appointed McLagan as new independent compensation adviser effective May 2014.

The Compensation Committee assessed the compensation-related implications of the Capital Requirements Directive IV (CRD IV) for our employees in EU locations. After obtaining the required approvals, the Compensation Committee supported a cap on variable compensation of two times fixed compensation for affected employees. In line with market practice, it also approved the introduction of fixed allowances based on the role and organizational responsibility of the employees, which are treated as fixed compensation for the purpose of calculating the referenced cap.

As indicated in last year's Compensation Report, there is emerging regulatory demand to extend the period of time during which variable compensation awards may be recovered beyond the respective dates of vesting and distribution to the employee. In line with this, the Prudential Regulation Authority (PRA) in the UK mandated in 2014 that all variable compensation awards granted to employees defined as "PRA Code Staff" after January 1, 2015, contain provisions enabling the Group to "claw back" compensation

for seven years from the grant date. 2014 variable compensation granted to "PRA Code Staff" includes terms to comply with these extended clawback provisions.

In addition to these mandatory changes, the compensation structure for the Board of Directors (Board) was reviewed and modified. In the interest of transparency a more granular fee structure was introduced reflecting the respective roles and responsibilities of the Board members. Moreover, 2014 variable compensation for the Executive Board is based on the revised structure as outlined in the 2013 Compensation Report. Apart from this, the Compensation Committee decided to leave the compensation structure and applicable deferred compensation instruments for the broader employee population largely unchanged from 2013.

Compensation decisions in 2014

In 2014, the Group's revenues were in line with prior periods despite the challenging market conditions. Private Banking & Wealth Management achieved net new assets growth in line with our expectations and improved strategic results in terms of pre-tax income and cost/income ratio. Improved Investment Banking results for 2014 reflect the strength of our diversified franchise with stable revenues and increased capital efficiency. Investment Banking continued to make progress reducing risk-weighted assets and Swiss leverage exposure when denominated in US dollars, in the strategic and non-strategic units. Shared services functions provided a robust control environment, while supporting the business in the transition to new regulatory requirements, making significant progress on a number of major infrastructure projects.

Despite these notable achievements, the economic value of variable incentive compensation awarded for 2014 for the Group was 9% lower than in 2013, reflecting continued compensation discipline and stable reported pre-tax income, including the impact of the final settlement regarding all outstanding US cross-border matters.

Due to the substantial impact of the US cross-border settlement – the most significant and longstanding regulatory and litigation issue for Credit Suisse – both the Board and Executive Board agreed to a voluntary reduction to their compensation that would otherwise have been awarded to them for 2014. The total compensation for the Board was reduced by approximately 25% and the variable compensation for the Executive Board was reduced by the equivalent of 20% of the amount that would have otherwise been granted. This agreement reflected the view that the event should have consequences for the compensation of the Group's top supervisory and management bodies, in order to accept the collective responsibility these bodies bear in safeguarding the long-term reputation and professional integrity of the Group's businesses globally, regardless of which individuals serve as directors or officers within these bodies at any given time.

Consequently, the Board approved a 50% reduction in their share-based compensation for 2014, which is approximately 25% of their total compensation. For those members who were part of the Executive Board at the time of the settlement, a downward adjustment was applied equivalent to 20% of the amount that would have otherwise been granted as variable compensation for 2014. Of this amount, half was deducted from the amount that would have been awarded as long-term incentive (LTI) awards for 2014 and half was deducted from existing unvested LTI incentive awards granted for 2013. Including the voluntary adjustment, which was applied to LTI awards granted for 2014, the proposed Executive Board variable compensation for 2014 is 17% lower than the amount awarded for 2013.

Annual General Meeting of Shareholders 2015

In line with the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations (Compensation Ordinance) and the Group's Articles of Association (AoA), compensation of the Board and the Executive Board will be subject to binding shareholder votes for the first time at the 2015 Annual General Meeting of Shareholders (AGM). Accordingly, shareholders will be asked to approve:

- Executive Board aggregate variable compensation for the 2014 financial year (retrospective vote)
- Maximum aggregate fixed compensation for the Executive Board for the period 2015 AGM to 2016 AGM (prospective vote)
- Maximum aggregate compensation for the Board for the period 2015 AGM to 2016 AGM (prospective vote)

In reviewing various options to obtain shareholder approval, we concluded that a prospective vote is warranted for the compensation of the Board and all fixed compensation elements of the Executive Board. However, in the interest of "pay for performance" alignment, we decided to propose a retrospective vote on variable compensation for the Executive Board in the context of actual performance figures for the preceding financial years. Irrespective of these binding votes, we will continue to submit the entire Compensation Report for a consultative vote as was our practice in the past.

Focus areas in 2015

The Group is committed to responsible compensation practices with particular emphasis on ethics, risk, control and compliance as a basis for disciplined execution and the discouragement of excessive risk taking. In this context, the Compensation Committee will continue to closely monitor how risk and internal control considerations are captured in performance reviews and how the respective assessments affect compensation recommendations.

Furthermore, the effectiveness of malus and clawback provisions in our compensation plans will remain in the focus of the Compensation Committee in 2015. The recovery of compensation awards after vesting and distribution to the employee is uncharted territory in some jurisdictions. However, whenever necessary we will pursue the application of clawback to the full extent permitted under applicable law.

For 2015, the performance evaluation and the structure of Executive Board compensation will remain essentially similar to the approach for 2014.

The Compensation Committee will ensure full compliance with regulatory developments and will closely monitor market trends to maintain our competitive compensation structure in line with best practice.

Finally, the Compensation Committee is satisfied that this Compensation Report reflects the review process and determination of compensation for 2014. This Compensation Report is in line with the specific remuneration disclosure requirements issued by the Swiss Financial Market Supervisory Authority FINMA (FINMA). In the context of compensation for the Board and the Executive Board, the Compensation Report is in compliance with the respective provisions of the Compensation Ordinance. The activities of the Compensation Committee were executed in accordance with its mandate under the Credit Suisse Organizational Guidelines and Regulations and the Compensation Committee charter.



Jean Lanier
Chairman of the Compensation Committee
Member of the Board of Directors
March 2015



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Report of the Statutory Auditor to the General Meeting of Shareholders of

Credit Suisse Group AG, Zurich

We have audited the accompanying Compensation report dated March 20, 2015 of Credit Suisse Group AG (the "Group") for the year ended December 31, 2014. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (the "Ordinance") contained in the sections marked with (Audited) on pages 214 to 226 of the Compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying Compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Compensation report for the year ended December 31, 2014 of the Group complies with Swiss law and articles 14-16 of the Ordinance.

KPMG AG

Simon Ryder
 Licensed Audit Expert
 Auditor in Charge

Ralph Dicht
 Licensed Audit Expert

Zurich, Switzerland
 March 20, 2015

GROUP COMPENSATION

Compensation policy and objectives

The objectives of the Group's compensation policy include attracting and retaining employees, and motivating employees to achieve results with integrity and fairness. The compensation policy is designed to support a performance culture which fosters teamwork and collaboration. Furthermore, it aims to promote effective risk management practices consistent with the Group's compliance and control framework. The compensation policy takes into account the capital position and long-term performance of the Group and balances the fixed and variable compensation components to reflect the value and responsibility of the roles that employees perform. The objectives of the compensation policy are framed to achieve an appropriate balance between the interests of employees and shareholders in order to create sustainable value for the Group.

The compensation policy applies to all employees and compensation plans of the Group. It contains a detailed description of the Group's compensation principles and objectives as well as the compensation programs. It also sets out the standards and processes relating to the development, management, implementation and governance of compensation. The compensation policy adheres to the compensation principles set out by the Group's regulator in Switzerland, the **FINMA**, and the Group's other main regulators.

The compensation policy is reviewed regularly and endorsed by the independent Compensation Committee. The compensation policy, as well as periodic updates and revisions, is approved by the Board. The compensation policy is accessible to all employees and is published at www.credit-suisse.com/compensation.

Compensation Committee

The Compensation Committee is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing compensation for the Group and Executive Board for approval by the Board. In November 2013, the Swiss Federal Council approved the Compensation Ordinance, which came into effect on January 1, 2014. In accordance with the Compensation Ordinance and the modified AoA, beginning with the 2015 AGM, the shareholders will vote to approve the compensation of the Board and the Executive Board based on the proposals set forth by the Board. The Compensation Committee consists of at least three members of the Board, all of whom must be independent. The current members are Jean Lanier (chairman), Iris Bohnet, Andreas N. Koopmann and Kai S. Nargolwala. The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance and the FINMA, and the rules of the New York Stock Exchange (NYSE) and the Nasdaq Stock Market (Nasdaq) in determining that all of these individuals are independent.

► Refer to "Independence" in Corporate Governance – Board of Directors for more information on how the Group determines the independence of its Board members.

Advisers to the Compensation Committee

The Compensation Committee is authorized to retain outside advisers, at the Group's expense, for the purposes of providing guidance to the Compensation Committee as it carries out its responsibilities. Effective as of May 2014, McLagan, a management consulting firm specializing in the benchmarking of performance and reward data for the financial services industry, assists the Compensation Committee in ensuring that the Group's compensation program remains competitive, responsive to regulatory developments and in line with the compensation policy. Johnson Associates provided these advisory services until May 2014. McLagan has appointed a senior consultant to advise the Compensation Committee. This individual does not provide other services to the Group other than assisting the Compensation Committee. The law firm Nobel & Hug acts as external legal counsel to the Compensation Committee. Prior to their appointment, the Compensation Committee conducted an independence assessment of these advisers pursuant to the rules of the US Securities and Exchange Commission (SEC) and the listing standards of the NYSE and the Nasdaq.

Compensation Committee meetings and annual performance review

The Chairman of the Board (Chairman) and the Chief Executive Officer (CEO) may attend the Compensation Committee meetings, and the Compensation Committee chairman determines the attendance of other Board members, Executive Board members, senior management, compensation advisers and external legal counsel, as appropriate.

In January of each year, the Compensation Committee meets, with the Chairman and the CEO present, for the primary purpose of reviewing the performance of the Group, businesses and the respective management teams for the previous year. This provides the basis for a recommendation of the overall compensation pools for the business divisions and Shared Services functions for approval by the Board. During its annual performance review, the Compensation Committee considers input from the chairmen of the Risk and Audit Committees, who may also attend the Compensation Committee meeting in January. The Risk Committee provides input to the Compensation Committee with respect to risk considerations and the Audit Committee provides input with respect to internal control considerations. The Compensation Committee approves the compensation for the Head of Internal Audit after consulting with the Audit Committee chairman.

The Compensation Committee also considers input from the Group's internal control functions. Specifically this includes contributions from Risk Management, Legal and Compliance and Internal Audit, regarding control and compliance issues and any breaches of relevant rules and regulations or the Group's Code of Conduct. The Compensation Committee reviews the impact on the recommended amount of variable compensation of individuals who have been subject to the Group's disciplinary processes.

To meet regulatory guidelines regarding employees engaged in risk-taking activities, the Compensation Committee reviews and approves the compensation for employees identified as Material Risk Takers and Controllers (MRTC). The Risk Committee is involved in the review process for MRTC.

► Refer to "Material Risk Takers and Controllers" for further information.

During 2014, the Compensation Committee held 10 meetings, with the following focus areas:

- assessing the performance of the Group and determining the divisional compensation pools for recommendation to the Board;
- reviewing the level and composition of compensation for Executive Board members and members of the Board, taking into account the key issues raised by shareholders, the impact of the US cross-border settlement in May 2014 and emerging best practice among peer companies;
- monitoring global regulatory and market trends with respect to compensation at financial institutions and assessing the obligations imposed by the Compensation Ordinance;
- reviewing the approach for compensating employees subject to the CRD IV regulations;
- further enhancing the compensation process for Covered Employees (which include MRTC as well as certain other employees, as defined below) in line with regulatory guidance; and
- monitoring the link between employee behavior and compensation levels, including any impact of employee misconduct on compensation.

The Compensation Committee chairman maintains an active dialogue with the Group's principal regulators about compensation governance and plans. In addition, he engages with shareholders and their representatives regarding the compensation policy and plans.

Approval authority

The approval authorities for setting compensation policy and compensation for different groups of employees are defined in the Group's Organizational Guidelines and Regulations (OGR) and the Compensation Committee charter (available at www.credit-suisse.com/governance).

Board approval, based on the recommendation of the Compensation Committee, is required to:

- establish or amend the Group's compensation policy;
- establish or amend the compensation plans;
- determine the variable compensation pools for the Group and divisions;

- determine compensation for the Executive Board members, including the CEO, subject to the shareholder approval requirement pursuant to the Compensation Ordinance; and
- determine compensation of the Board, including the Chairman, subject to the shareholder approval requirement pursuant to the Compensation Ordinance.

Compensation Committee approval is required for compensation decisions with respect to:

- the Head of Internal Audit (in consultation with the Audit Committee chairman);
- MRTC; and
- other selected members of management.

Impact of regulation on compensation

Many of the Group's regulators, including FINMA, focus on compensation. The requirements of FINMA are set out in FINMA's Circular on Remuneration Schemes (Circular). Additionally, several regulators, including those in the US, the EU and the UK, impose requirements that differ from, or supplement, the FINMA requirements. Therefore, the Group's plans comply globally with the Circular and, to the extent local requirements differ from or supplement those standards, plans are adapted locally in the relevant jurisdiction. This generally results in additional terms, conditions and processes being implemented in the relevant locations. The Group continuously monitors regulatory and legislative developments in all applicable jurisdictions, as well as industry best practices in compensation and guidance issued by various regulatory bodies.

Pursuant to the Compensation Ordinance, compensation of the Board and the Executive Board is approved annually by the AGM either as a maximum aggregate amount or as maximum partial amounts for the respective compensation components.

The Compensation Committee assessed the implications of the CRD IV regulations. In accordance with these regulations, a cap on variable compensation of two times fixed compensation was implemented for applicable employees after obtaining the required approvals. We also introduced fixed allowances as a compensation component for applicable employees subject to the CRD IV regulations, in line with market practice. These fixed allowances are determined based on the role and organizational responsibility of the employees.

In July 2014, the PRA in the UK mandated that all variable compensation awards granted to employees that meet the definition of "PRA Code Staff" on or after January 1, 2015 contain provisions enabling the Group to clawback variable compensation for seven years from the grant date. These provisions were included in awards granted to "PRA Code Staff" in January 2015.

Determination of variable compensation pools

In determining the variable compensation pools (pools), the Compensation Committee aims to balance the distribution of the Group's profits between shareholders and employees. The primary measure of performance for determining the pools of the Group and business divisions is economic contribution. The methodology to determine the Group and divisional pools also takes into account key performance indicators (KPIs) and certain non-financial criteria, including risk and control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment.

Economic contribution is measured at both the Group and divisional levels as income before taxes and variable compensation expense, after deducting a capital usage charge that is calculated based on regulatory capital. Such regulatory capital is defined for the Investment Banking and Private Banking & Wealth Management divisions as the average of 10% of average divisional ◉ Basel III ◉ risk-weighted assets and 2.4% of average divisional leverage exposure, and regulatory capital is defined for the Group as the sum of both divisions. For this measure, the Group and divisional results exclude the funding valuation adjustments (FVA), significant litigation provisions and settlements as approved by the Compensation Committee, and the Group results also exclude fair value gains and losses from movements in own credit spreads. This measure of economic contribution considers the profitability of the divisions and the Group and the capital utilized to achieve this profitability. The Compensation Committee intends to achieve a more balanced distribution of economic contribution between employees and shareholders over the longer-term, subject to Group performance and market conditions.

The performance-based pools are determined on an annual basis, and accruals for the divisional and Group-wide pools are made throughout the year. The Compensation Committee regularly reviews the accruals and related financial information and applies adjustments in exceptional circumstances to ensure that the overall size of the pools is consistent with the Group's compensation objectives.

The total amount of the Shared Services pool is determined based on Group-wide financial performance, measured in the form of Group economic contribution and qualitative measures and is not

linked to the performance of the particular divisions that the Shared Services employees support. Therefore, Shared Services employees, including those performing control functions, are remunerated independently from the performance of the businesses they oversee and support. As with the business divisions, risk, control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment, are taken into account. After the pool has been determined for the Shared Services functions, a deduction is applied to the pool of each business division, following a consistent allocation approach, to fund the pool for the employees of the Shared Services functions.

Once the pools have been set at the Group and divisional levels, each business division allocates its pool to its business areas, based on the same or similar factors as used to determine the divisional pool. Capital usage and risk are factored into the pools as they are allocated within business areas. Through this process, business area managers recognize that capital usage is a significant factor in determining the pool for the business area under their responsibility. The pools are allocated to line managers who award variable compensation to employees based on individual and business area performance, subject to the constraints of the pool size. The Shared Services pool is allocated to the various functions within Shared Services based on factors such as the achievement of performance objectives, compliance with policies and regulations, and market conditions.

Competitive benchmarking

The assessment of the economic and competitive environment is another important element of the compensation process as the Group strives for market-informed, competitive compensation levels. Internal expertise and the services of compensation consulting firms are used to benchmark compensation levels against relevant peers, taking into account geographical variations. The peer groups and relevant metrics used are reviewed annually by the Compensation Committee and tracked throughout the year.

The peer groups used in 2014 for the Group and the divisions are shown in the following table, along with the specific performance criteria used for assessing relative performance. Most of these peer companies mention Credit Suisse as one of their peers for the purposes of compensation benchmarking.

2014 peer groups and performance criteria¹

Credit Suisse Group

Peer group	Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura, Société Générale and UBS
Performance criteria	
Profitability and efficiency	Return on equity, pre-tax income margin and compensation/revenue ratio
Growth	Earnings per share growth, net revenue growth, net new assets growth and total assets under management growth
Capital and risk	Tier 1 ratio, look-through CET1 ratio, leverage ratio, Value-at-Risk and risk-weighted assets development
Shareholder satisfaction	Total shareholder return over one year, total shareholder return over two years and book value per share growth
Private Banking & Wealth Management	
Peer group	Allianz, BlackRock, Deutsche Bank, Goldman Sachs, HSBC, Julius Bär Group, JPMorgan Chase, Morgan Stanley and UBS
Performance criteria	
Profitability and efficiency	Pre-tax income margin, pre-tax income on assets under management and gross margin
Growth	Net revenue growth, pre-tax income growth and net new assets growth
Investment Banking	
Peer group	Bank of America, Barclays, Citigroup, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley and UBS
Performance criteria	
Profitability and efficiency	Pre-tax return on economic risk capital, pre-tax income margin and compensation/revenue ratio
Growth	Net revenue growth and pre-tax income growth
Capital and risk	Net revenue/Value-at-Risk

¹ The Credit Suisse Group and Investment Banking peer groups for 2014 remain unchanged compared to the peer groups used in the Annual Report 2013. Barclays was removed from the Private Banking & Wealth Management peer group for 2014 due to insufficient disclosure.

Focus on risk and control

Risk and control considerations are an integral part of the performance assessment and compensation processes. This ensures that the Group's approach to compensation includes a focus on risk and internal control matters and discourages excessive risk taking.

Role of control functions

In addition to the annual performance assessment conducted by their line managers, employees who have breached Group policies or procedures are subject to a review process by the Group's control functions, which impacts decisions about individual variable compensation awards. The control functions are independent from the businesses and include Legal and Compliance, Risk Management, Finance, Human Resources and Internal Audit. Regional disciplinary review committees include the input of the Group's control functions and make recommendations on disciplinary measures, as necessary. Such measures can include the reduction or

elimination of the employee's variable compensation award for the current year and deferred compensation awards from prior years, in line with the applicable malus provisions. The Board's Audit and Risk Committees are periodically provided with information on the disciplinary cases and may give directional input regarding the appropriateness of disciplinary outcomes. The results of the disciplinary review committees' assessment and any disciplinary measures are communicated to the Compensation Committee, together with details of any impact on variable compensation.

Material Risk Takers and Controllers

MRTC include employees who, either individually or as a part of a group, are considered to have a potentially material impact on the Group's risk profile. The criteria for classifying individuals as MRTC for the Group are approved by the Board upon recommendation by the Compensation and Risk Committees.

Employees meeting one or more of the following criteria are identified as MRTC:

- members of the Executive Board;
- employees who report directly to a member of the Executive Board: i) in the business divisions, these include employees responsible for managing significant lines of business of the Group and members of divisional management committees; and ii) in the Shared Services functions of Internal Audit, Finance, Risk Management, Legal and Compliance and Talent, Branding and Centers of Excellence, these include senior control personnel who are responsible for monitoring individuals or groups of individuals who manage material amounts of risk for the Group;
- employees, either individually or as part of a group, with the ability to put material amounts of the Group's capital at risk (these include traders, and others who are authorized to manage, supervise or approve risk exposure that could have a material or significant effect on the Group's financial results);
- the top 150 paid employees across the Group (based on total compensation), regardless of seniority or function;
- all UK managing directors and other employees, who based on the significance of their functions in the UK and the potential impact of their risk-taking activities on the UK entities meet the "PRA Code Staff" definition of the Group's UK regulator, the PRA; and
- other individuals, whose roles, individually or as part of a group, have been identified as having a potential impact on the market, reputational or operational risk of the Group.

Compensation process for MRTC

MRTC are subject to heightened levels of scrutiny over the alignment of their performance and compensation. MRTC and their managers are required to incorporate risk considerations in their performance evaluations. This includes specifying the types of risk applicable to the individual employee when reviewing performance and subsequently setting risk-adjusted variable compensation. The types of risk considered vary by role and include reputational, credit, market, operational, liquidity, and legal and compliance risks. Risk is assessed in the context of both realized and potential risk outcomes.

Covered Employees

In response to requirements of the US Federal Reserve, the Group has identified two additional groups of US-based employees, who are also subject to the compensation processes that apply for MRTC. The broader group is collectively known as Covered Employees, and is comprised of:

- MRTC;
- all US-based revenue producers in Investment Banking; and
- all branch managers of the US Wealth Management Clients business within the Private Banking & Wealth Management division.

Malus provisions

All deferred compensation awards contain provisions that enable the Group to reduce or cancel the awards of employees whose individual behavior has had a materially detrimental impact on the Group.

Additional malus provisions apply that can be triggered in cases where the behavior or performance of the individual causes, or could cause:

- a material downturn in the financial performance or regulatory capital base of the Group, or any of its divisions or regions;
- a material failure of risk management, reputational harm, or other similar events; or
- a combination of the above, as determined by the Board at its sole discretion.

Performance share awards contain further provisions that can result in a downward adjustment or cancellation of the full balance of deferred awards, in the event of future negative business performance.

▶ Refer to "Compensation design" for further information on deferred compensation.

▶ Refer to "Performance share awards" for details of these awards and the performance-based malus provisions and to the table "Potential downward adjustments of performance share and STI awards" for specific downward adjustments that may be applied.

Clawback provisions

While malus provisions referenced above only affect deferred awards, recently enacted regulations require the introduction of additional provisions enabling the Group, subject to conditions, to claim back variable compensation even after vesting and distribution to the employee (clawback). The PRA in the UK was the first regulator to mandate that variable compensation granted to "PRA Code Staff" in 2015 is subject to clawback for seven years after the grant date.

Compensation design

The Group's total compensation approach comprises fixed and variable compensation. Fixed compensation includes base salary, which reflects seniority, experience, skills and market practice, and fixed allowances for certain employees. Variable compensation is awarded annually and is dependent on Group, divisional and individual performance. The percentage mix between fixed and variable compensation varies according to the employee's seniority, business and location.

Variable compensation for 2014 was awarded primarily in the form of unrestricted cash, share-based awards and Contingent Capital Awards (CCA). Share-based awards and CCA are deferred variable compensation instruments that vest and settle in the future as described further below.

Employee categories and components of total compensation for 2014

Employee category	Total compensation				
	Fixed compensation	Variable compensation			
		Unrestricted cash	Share awards	Performance share awards	Contingent Capital Awards
Managing directors and directors who are MRTC			28%	50%	22%
Other directors			79%		21%
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 were introduced in 2014 as a new component of compensation for "PRA Code Staff" and other employees identified as risk-takers under EU regulatory requirements. These fixed allowances were determined based on the role and organizational responsibility of the individuals. Subject to certain conditions, fixed allowances are deemed to be fixed compensation for the purposes of calculating the cap of variable compensation as required by the CRD IV. For 2014, fixed allowances were comprised of a cash component paid during 2014 and a share component subject to vesting over a period of three years and on-going employment.

Variable compensation and deferral rates

For 2014, variable compensation was paid in unrestricted cash unless the total compensation awarded to an employee for 2014 was greater than or equal to CHF 250,000 or the local currency equivalent (or USD 250,000 for employees whose total compensation is denominated in USD), in which case a portion was paid in unrestricted cash and the balance was deferred, vesting at a later date. The deferred portion was defined by a deferral table whereby the portion of deferred compensation increased with higher levels of total compensation. The deferred portion for 2014 ranged from 17.5% to 90% of variable compensation, unchanged from 2013, and the amount of variable compensation paid as unrestricted cash for 2014 was capped at CHF 2 million or the local currency equivalent (or USD 2 million for employees whose total

compensation is denominated in USD) per employee. For 2014, 41,809 employees received variable compensation, representing 91% of total employees, of which 801 were classified as MRTC.

► Refer to "Number of employees awarded variable and other compensation" for further information.

Unrestricted cash

Generally, employees receive the cash portion of their variable compensation as unrestricted cash at a regular payroll settlement date close to the grant date.

Blocked share awards

To comply with CRD IV requirements, employees who hold key roles in respect of certain Group subsidiaries in the EU receive shares that are subject to transfer restrictions for 50% of the amount that would have been paid to them as unrestricted cash. These shares are vested at the time of grant but remain blocked, that is, subject to transfer restrictions, for six months to three years from the date of grant, depending on location.

Deferred variable compensation instruments

Share awards

Each share award entitles the holder of the award to receive one Group share at the delivery date. Share awards are designed to align the interests of employees and shareholders, as well as comply with the expectations of regulators that a substantial portion of variable compensation should be granted in this form.

Share awards vest over three years with one third of the award vesting on each of the three anniversaries of the grant date (ratable vesting). The number of share awards granted was determined by dividing the value of the deferred component of the

variable compensation to be granted as share awards by the applicable share price of CHF 20.21, as approved by the Board of Directors in January 2015. The final value of the share awards is solely dependent on the share price at the time of delivery. Share awards granted since January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. A total of 7,583 employees were granted share awards for 2014.

Performance share awards

Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to explicit performance-based malus provisions. For employees in the business divisions, the malus provision applies in the event of a divisional loss or a negative strategic return on equity (ROE) of the Group, whichever results in a larger adjustment. For employees in Shared Services, the negative adjustment only applies in the event of a negative strategic ROE of the Group, and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted. Performance share awards for 2013 were based on underlying ROE, while performance share awards for 2014 were based on strategic ROE, in line with the change in the Group's reporting structure.

► Refer to "Core results" in the II – Operating and financial review for a summary of strategic results.

The amount of the potential negative adjustment for a loss at the divisional level, which is applicable to all outstanding performance share awards (including the short term incentive, STI) awards of Executive Board members who lead business divisions), is shown in the following table.

Potential downward adjustments of performance share and STI awards

Downward adjustment if division incurs a loss

Division pre-tax loss (in CHF billion)	Adjustment on award balance (in %)
(1.00)	(15%)
(2.00)	(30%)
(3.00)	(45%)
(4.00)	(60%)
(5.00)	(75%)
(6.00)	(90%)
(6.67)	(100%)

As in the case of share awards, performance share awards granted since January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. A total of 1,752 employees were granted performance share awards for 2014. Managing directors and almost all employees classified as MRTC received at

least 50% of their deferred variable compensation in the form of performance share awards.

Contingent Capital Awards (CCA)

CCA are a form of deferred award that have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market, such as the high-trigger contingent capital instruments referred to as contingent convertible instruments. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents; for CCAs granted in January 2015 interest rate equivalents are paid until settlement at a rate of 4.85% per annum over the six-month Swiss franc ◉ London Interbank Offered Rate (LIBOR) for Swiss franc-denominated awards or 5.75% per annum over the six-month US dollar LIBOR for US dollar-denominated awards. This rate was set in line with market conditions at the time of grant and with existing high-trigger and low-trigger contingent capital instruments that the Group has issued. CCA are not traded in the debt markets. Employees who were awarded compensation in Swiss francs could elect to receive CCA denominated in Swiss francs or US dollars, and all other employees received CCA denominated in US dollars.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from grant. However, because CCA qualify as additional tier 1 capital of the Group, the timing and form of distribution upon settlement is subject to approval by FINMA. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the ◉ fair value of the CCA. The fair value will be determined by the Group. In the case of a cash settlement, the CCA award currency denomination will be converted into the local currency of each respective employee.

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

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

These terms are similar to those of the outstanding tier 1 high-trigger capital instruments that the Group has issued since 2011. However, unlike the Group's outstanding tier 1 high-trigger instruments, the CCA would not convert into common equity, but would be written down to zero upon a trigger event.

The Group intends in future years to continue to grant CCA as one of its annual deferred variable compensation awards. CCA will be utilized to align compensation with the maintenance of strong capital ratios, provide additional tier 1 capital, and reduce dilution to existing share capital that would otherwise be incurred with the issuance of share-based deferred compensation awards.

The total CCA awarded had a fair value of CHF 360 million and a total of 5,891 employees received CCA for 2014.

Other awards

The Group may employ other compensation plans or programs to facilitate competitive hiring practices and to support the retention of talent. These variations from the standard approach apply to a small population of employees where specific circumstances justify special compensation arrangements. For 2014, this applied to approximately 295 employees. These variations from the standard approach must be approved by the Compensation Committee.

The Group also pays commissions to employees operating in specific areas of the business, in line with market practice. These commissions are calculated based on formulas, and are reviewed regularly to ensure that they remain at competitive levels.

Limitations on share-based awards

The Group prohibits employees from entering into transactions to hedge the value of outstanding share-based awards. Employee

pledging of unvested share-based awards is also prohibited, except with the express approval of the Compensation Committee. The Group applies minimum share ownership requirements, inclusive of unvested awards, for members of the divisional and regional management committees, as follows:

- Executives responsible for Private Banking & Wealth Management and Investment Banking: 50,000 shares; and
- Executives responsible for Shared Services functions: 20,000 shares.

► Refer to "Minimum share ownership requirements" in Executive Board Compensation for further information on minimum share ownership requirements for Executive Board members.

Total compensation awarded

The following table shows the value of total compensation awarded to employees for 2014 and 2013.

Total compensation awarded

For	2014			2013		
	Unrestricted	Deferred	Total	Unrestricted	Deferred	Total
Fixed compensation (CHF million)						
Salaries	5,417	89	5,506	5,525	–	5,525
Social security	793	–	793	778	–	778
Other	657 ¹	–	657	800 ¹	–	800
Total fixed compensation	6,867	89	6,956	7,103	–	7,103
Variable incentive compensation (CHF million)						
Unrestricted cash	1,653	–	1,653	1,570	–	1,570
Share awards	36	642	678	18	827	845
Performance share awards	–	529	529	–	663	663
Contingent Capital Awards	–	360	360	–	391	391
Other cash awards	–	54	54	–	142	142
Total variable incentive compensation	1,689	1,585	3,274	1,588	2,023	3,611
Other variable compensation (CHF million)						
Cash severance awards	176	–	176	150	–	150
Sign-on awards	13	58	71	18	62	80
Cash-based commissions	220	–	220	198	–	198
Total other variable compensation	409	58	467	366	62	428
Total compensation awarded (CHF million)						
Total compensation awarded	8,965	1,732	10,697	9,057	2,085	11,142
of which guaranteed bonuses ²	–	–	51	–	–	55

¹ Includes pension and other post-retirement expense of CHF 361 million and CHF 490 million in 2014 and 2013, respectively.

² Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Total compensation awarded for 2014 was CHF 10.7 billion, down 4% compared to 2013, with reductions in fixed compensation and share awards. Total variable incentive compensation awarded for 2014 was CHF 3.3 billion, down 9% compared to 2013. Of the total variable incentive compensation awarded across the Group for 2014, 48% was deferred and subject to certain conditions including future service, performance, market and malus criteria.

Cash severance awards relating to terminations of employment of CHF 189 million and CHF 263 million were paid in 2014 and 2013 to 1,552 and 2,189 employees, respectively. Sign-on awards of CHF 13 million and CHF 18 million were paid to 102 and 83 employees in 2014 and 2013, respectively.

Number of employees awarded variable and other compensation

	MRTC ¹	Other employees	2014 Total	MRTC ¹	Other employees	2013 Total
Number of employees awarded variable compensation						
Variable compensation	801	41,008	41,809	503	41,220	41,723
of which unrestricted cash	801	41,008	41,809	503	41,220	41,723
of which share awards	789	6,794	7,583	486	7,077	7,563
of which performance share awards	764	988	1,752	461	1,230	1,691
of which Contingent Capital Awards	767	5,124	5,891	470	5,209	5,679
or which other cash awards	63	230	293	62	283	345
Number of employees awarded other variable compensation						
Cash severance awards	6	1,546	1,552 ²	3	2,186	2,189 ²
Sign-on awards	13	203	216	6	166	172
Cash-based commissions	–	357	357	0	369	369
Guaranteed bonuses	9	129	138	9	132	141

¹ Excludes individuals who may have been classified as MRTC according to regulatory requirements of jurisdictions outside of Switzerland, particularly US-based revenue producers in Investment Banking and branch managers of the US Wealth Management Clients business within the Private Banking & Wealth Management division, who were classified as Covered Employees by the US Federal Reserve, and PRA Code Staff.

² Includes employees who received cash severance awards for termination of employment as of December 31, 2014 and 2013.

Compensation awarded to Material Risk Takers and Controllers

The 801 employees classified as MRTC were awarded total compensation of CHF 1,644 million for 2014 and total variable compensation of CHF 1,134 million for 2014, of which CHF 943 million, or 83%, was deferred. MRTC received 50% of their deferred

compensation for 2014 in the form of performance share awards or other awards which are subject to performance-based malus provisions. The number of employees classified as MRTC in 2014 increased compared to 2013, primarily as a result of all UK managing directors being classified as “PRA Code Staff”.

Compensation awarded to Material Risk Takers and Controllers

For	Unrestricted	Deferred	2014 Total	Unrestricted	Deferred	2013 Total
Fixed compensation (CHF million)						
Total fixed compensation	492	–	492	247	–	247
Variable incentive compensation (CHF million)						
Unrestricted cash	191	–	191	138	–	138
Share awards	–	278	278	–	255	255
Performance share awards	–	426	426	–	407	407
Contingent Capital Awards	–	191	191	–	177	177
Other cash awards	–	48	48	–	125	125
Total variable incentive compensation	191	943	1,134	138	964	1,102
Other variable compensation (CHF million)						
Cash severance awards	5	–	5	1	–	1
Sign-on awards	–	13	13	0	5	5
Cash-based commissions	–	–	–	0	–	0
Total other variable compensation	5	13	18	1	5	6
Total compensation (CHF million)						
Total compensation	688	956	1,644	386	969	1,355
of which guaranteed bonuses ¹	2	5	7	3	11	14

¹ Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Group compensation and benefits expense

Compensation and benefits expenses recognized in the current year income statement include salaries, fixed allowances, variable compensation, benefits and employer taxes on compensation. Variable compensation expense mainly reflects the unrestricted cash compensation for the current year, amortization of deferred compensation awards granted in prior years, and severance, sign-on and commission payments. Deferred variable compensation

granted for the current year is expensed in future periods during which it is subject to future service, performance, malus criteria and other restrictive covenants.

In 2014, total compensation and benefits expenses were stable compared to 2013, as higher variable compensation expense, related to higher amortization expense from deferred compensation awards granted in prior years, was largely offset by lower salary expense, reflecting our cost efficiency initiatives.

Group compensation and benefits expense

in	2014		2013		Total
	Current compensation	Deferred compensation	Current compensation	Deferred compensation	
December 31					
Fixed compensation expense (CHF million)					
Salaries	5,417	18	5,435	5,525	5,525
Social security ¹	793	–	793	778	778
Other	657 ²	–	657	800 ²	800
Total fixed compensation expense	6,867	18	6,885	7,103	7,103
Variable incentive compensation expense (CHF million)					
Unrestricted cash	1,653	–	1,653	1,570	1,570
Share awards	36	921 ³	957	18	832
Performance share awards	–	611	611	–	590
Contigent Capital Awards	–	214	214	–	–
Capital Opportunity Facility Awards	–	13	13	–	–
Plus Bond awards	–	36	36	–	37
2011 Partner Asset Facility awards ⁴	–	7	7	–	77
Adjustable Performance Plan share awards	–	–	–	–	31
Adjustable Performance Plan cash awards	–	–	–	–	4
Restricted Cash Awards	–	92	92	–	145
Scaled Incentive Share Units ⁵	–	(3)	(3)	–	41
Incentive Share Units ⁵	–	–	–	–	(3)
2008 Partner Asset Facility awards ⁴	–	87	87	–	93
Other cash awards	–	404	404	–	434
Discontinued operations	–	(8)	(8)	(6)	(27)
Total variable incentive compensation expense	1,689	2,374	4,063	1,582	3,824
Other variable compensation expense (CHF million)					
Severance payments	152	–	152	113	113
Sign-on payments	13	–	13	18	18
Commissions	221	–	221	198	198
Total other variable compensation expense	386	–	386	329	329
Total compensation expense (CHF million)					
Total compensation expense	8,942	2,392	11,334⁶	9,014	11,256⁶

¹ Represents the Group's portion of employees' mandatory social security.

² Includes pension and other post-retirement expense of CHF 361 million and CHF 490 million in 2014 and 2013, respectively.

³ Includes CHF 19 million and CHF 23 million of compensation expense associated with other share awards granted in 2014 and 2013, respectively.

⁴ Includes the change in the underlying fair value of the indexed assets during the period.

⁵ Includes forfeitures.

⁶ Includes severance and other compensation expense relating to headcount reductions of CHF 275 million and CHF 216 million in 2014 and 2013, respectively.

Group estimated unrecognized compensation expense

The following table shows the estimated compensation expense that has not yet been recognized through the income statement for deferred compensation awards granted for 2014 and prior years that were outstanding as of December 31, 2014, with comparative

information for 2013. These estimates were based on the fair value of each award on the grant date, taking into account the current estimated outcome of relevant performance criteria and estimated future forfeitures. No estimate has been included for future mark-to-market adjustments.

Group estimated unrecognized compensation expense

in	Deferred compensation		2014	Deferred compensation		2013
	For 2014	For prior-year awards	Total	For 2013	For prior-year awards	Total
Estimated unrecognized compensation expense (CHF million)						
Share awards	643	762 ¹	1,405	823	804 ¹	1,627
Performance share awards	533	231	764	660	221	881
Contingent Capital Awards	418	210	628	433	–	433
Capital Opportunity Facility awards	–	5	5	–	–	–
Plus Bond awards ²	–	4	4	–	18	18
Adjustable Performance Plan share awards	–	–	–	–	11	11
Adjustable Performance Plan cash awards	–	–	–	–	13	13
Restricted Cash Awards	–	41	41	–	136	136
Other cash awards	55	166	221	136	111	247
Estimated unrecognized compensation expense	1,649	1,419	3,068	2,052	1,314	3,366

¹ Includes CHF 39 million and CHF 39 million of estimated unrecognized compensation expense associated with other share awards granted to new employees in 2014 and 2013, respectively, not related to prior years.

² Represents share awards reallocated to Plus Bond awards through the employee voluntary reallocation offer, with vesting in 2016, after consideration of estimated future forfeitures.

► Refer to "Discontinued compensation plans" for descriptions of the awards granted in years prior to 2014.

Impact of share-based compensation on shareholders' equity

In general, the income statement expense recognition of share-based awards on a pre-tax basis has a neutral impact on shareholders' equity because the reduction to shareholders' equity from the expense recognition is offset by the obligation to deliver shares, which is recognized as an increase to equity by a corresponding amount. Shareholders' equity includes, as additional paid-in capital, the tax benefits associated with the expensing and subsequent settlement of share-based awards.

Prior to 2011, the Group covered its share delivery obligations to employees primarily by purchasing shares in the market. When the Group purchases shares from the market to meet its share delivery obligations, these purchased shares reduce equity by the amount of the purchase price.

For the period 2011-2013, share delivery obligations were covered mainly through issuances of shares from conditional capital. In the second half of 2013, the Group resumed purchasing shares in the market to cover a portion of its share delivery obligations. In 2014, the majority of the Group's share delivery obligations was covered through market purchases. Currently, the Group intends to cover the majority of its future share delivery obligations through market purchases.

Share-based awards outstanding

At the end of 2014, there were 133.2 million share-based awards outstanding, including 77.1 million share awards, 48.2 million performance share awards, and 7.3 million Adjustable Performance Plan share awards. The remaining balance consisted of other awards relating to prior years that are no longer part of current compensation plans.

The number of shares issued as of the end of 2014 was 1,607 million. Additionally, the Group had 550 million shares available to support contingent capital instruments, including 499 million shares relating to high-trigger capital instruments already issued in the market that must convert into common equity pursuant to certain trigger events under their terms, including if the CET1 ratio falls below 7% or upon a non-viability event.

These instruments increase loss-absorbing regulatory capital without diluting shareholders' equity at the time of their issuance. The number of outstanding share-based awards represented 6.2% of shares both issued and potentially issuable in respect of contingent capital instruments as of the end of 2014. The Group intends to continue to use CCA in future years as part of its compensation program, partly in lieu of share-based awards. The Group's intention is to decrease the number of outstanding share-based awards to approximately 5% of shares issued and potentially issuable over the long term.

Subsequent activity

In early 2015, the Group granted approximately 37.2 million new share awards and 30.7 million new performance share awards with respect to performance in 2014. In lieu of granting additional share awards in 2015, the Group awarded CHF 360 million of deferred variable compensation in the form of CCA (equivalent to approximately 17.8 million share-based awards, had they been granted).

In the first half of 2015, the Group plans to settle 65.1 million deferred awards from prior years, including 35.8 million share awards, 22.5 million performance share awards, 6.8 million Adjustable Performance Plan share awards. The Group plans to meet this delivery obligation through market purchases and intends to use available conditional capital only to support the equity position of the Group in the event that the look-through CET1 ratio appears likely to fall short of the Basel III capital requirements as implemented by the "Swiss Too Big to Fail" legislation.

► Refer to "Regulatory capital and ratios – Group" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – BIS Capital Metrics for more information.

Value changes of outstanding deferred awards

Employees experience changes to the value of their deferred compensation awards during the vesting period due to both implicit and explicit value changes. Implicit value changes primarily reflect market driven effects, such as changes in the Group share price, changes in the value of the Capital Opportunity Facility (COF), CCA and underlying Plus Bond assets or foreign exchange rate movements. Explicit value changes reflect risk adjustments triggered by malus provisions related to negative performance in the performance share awards, positive or negative performance for the Adjustable Performance Plan share awards or the malus provisions in all deferred awards. The final value of an award will only be determined at settlement.

► Refer to "Discontinued compensation plans" for further information on COF, CCA, Plus Bond and Adjustable Performance Plan awards.

The following table provides a comparison of the fair values of outstanding deferred compensation awards at the end of 2013 and 2014, respectively, indicating the value of changes due to implicit and explicit adjustments. For 2014, the change in fair value for all outstanding deferred compensation awards was primarily due to implicit adjustments driven by changes in the Group share price, foreign exchange rate movements and changes in the value of the COF and CCA during the period.

Fair value of outstanding deferred compensation awards

in / end	Change in value			2014
	2013	Implicit	Explicit	
Share-based awards (CHF per unit)				
Share awards granted for 2011 ¹	27.3	(2.2)	0.0	25.1
Share awards granted for 2012 ²	27.3	(2.2)	0.0	25.1
Share awards granted for 2013 ³	28.1	(3.0)	0.0	25.1
Performance share awards granted for 2011 ¹	27.3	(2.2)	0.0	25.1
Performance share awards granted for 2012 ²	27.3	(2.2)	0.0	25.1
Performance share awards granted for 2013 ³	28.1	(3.0)	0.0	25.1
Adjustable Performance Plan share awards	30.2	(2.2)	0.8	28.8
Cash-based awards (CHF per unit)				
2008 Partner Asset Facility awards (PAF)	2.01	0.39	0.00	2.40
Adjustable Performance Plan cash awards granted for 2010	1.05	0.12	0.03	1.20
Plus Bond awards granted for 2012 ²	1.02	0.40	0.00	1.42
Contingent Capital Award for 2013 ³	1.00	0.11	0.00	1.11
Contingent Capital Award from converted PAF2 award	1.00	0.13	0.00	1.13
Capital Opportunity Facility from converted PAF2 award	1.00	0.16	0.00	1.16

¹ Represents awards granted in January 2012 for 2011.

² Represents awards granted in January 2013 for 2012.

³ Represents awards granted in January 2014 for 2013.

EXECUTIVE BOARD COMPENSATION

Governance

Compensation payable to the Executive Board members, including the CEO, is approved by the Board, based on the recommendation of the Compensation Committee. The compensation of the Executive Board is approved annually at the AGM either as a maximum aggregate amount or as maximum partial amounts for the respective compensation components pursuant to the Compensation Ordinance. In determining its recommendation to the Board, the Compensation Committee assesses the performance of the Executive Board members, including the CEO, based on actual performance compared to pre-defined individual objectives and targets.

Basis of determining compensation for Executive Board members

For 2014, the Compensation Committee defined both individual target levels of incentive compensation, and individual caps, both expressed as a multiple of base salary, limiting the total amount of compensation that may be awarded. The Compensation Committee also established financial and non-financial performance criteria for each Executive Board member, including the CEO, which were published in the 2013 Annual Report – Compensation section.

In determining the compensation targets and caps, competitive market levels of compensation for each individual role, with reference to the relevant group of peers were taken into account. The market data on executive compensation levels was provided to the Compensation Committee by Johnson Associates, which was the compensation adviser at the time the 2014 targets and caps were set.

► Refer to “Competitive benchmarking” in Group compensation for a list of peer groups.

The criteria used to assess the individual performance of the Executive Board members consist of pre-defined objective financial measures consistent with the Group’s KPIs, as well as qualitative factors. The Compensation Committee has discretion to recommend to the Board that the incentive awards resulting from

this performance assessment be adjusted by a factor of up to plus or minus 20%. The Board is committed to aligning incentive compensation with challenging performance criteria, and this element of flexibility enables the Board to determine the final individual awards after taking into account prevailing market conditions among other factors. This discretion is limited by the individual cap levels described above, and total Executive Board incentive compensation is also subject to the overall cap of 2.5% of Group strategic net income.

Performance evaluation for 2014

In January 2015, the Compensation Committee completed its performance evaluation for the 2014 financial year for the Group and the individual assessments of the Executive Board members. The Compensation Committee compared the outcome of the financial measurements to the pre-defined targets for 2014 as set out in the 2013 Compensation Report, excluding significant litigation provisions and settlements as approved by the Compensation Committee as well as fair value gains and losses from movements in own credit spreads, FVA and adjustments to risk-weighted assets due to methodology changes.

The CEO presented a qualitative assessment of the individual performance of each Executive Board member, which was then reviewed by the Compensation Committee. In the case of the CEO, the qualitative assessment was carried out by the Compensation Committee in consultation with the Chairman of the Board. The financial performance criteria for 2014 shown in the table below encompass the performance against profitability and cost targets, as well as progress towards the wind-down of non-strategic positions. The progress of the wind-down of non-strategic units was measured based on the achievement of reduction targets for risk-weighted assets and Swiss leverage exposure, as well as the attainment of non-strategic pre-tax income targets. The qualitative assessment took into account financial performance in areas that did not specifically form part of the previously defined quantitative financial targets, as well as non-financial elements of performance at the Group and divisional levels.

► Refer to II – Operating and financial review for a description of strategic and non-strategic results.

2014 performance against targets

2014 Targets		Divisional head		Shared Services head		2014 Performance against Targets		
		PB&WM	IB	CFO	Other	Below	Target	Above
Financial performance criteria (60% weighting)								
Group								
ROE (after tax) – strategic results ^{1, 2}	12.5%	30%	30%	25%	25%		●	
Cost/income ratio – strategic results ^{1, 2}	71.0%	–	–	15%	20%		●	
Wind-down of non-strategic units	35.0% year-on-year reduction of risk-weighted assets (2.5% weighting) and leverage exposure (2.5% weighting) and achievement of budgeted non-strategic pre-tax income (5% weighting) ^{3, 4, 5}	–	–	10%	–		●	
Divisional								
Wind-down of non-strategic units (IB)	35.0% year-on-year reduction of risk-weighted assets (2.5% weighting) and leverage exposure (2.5% weighting) and achievement of budgeted non-strategic pre-tax income (5% weighting) ^{2, 3}	–	10%	–	–		●	
Return on regulatory capital (IB) ^{2, 6}	11.3% ⁷	–	20%	–	–		●	
Wind-down of non-strategic units (PB&WM)	35.0% year-on-year reduction of risk-weighted assets (2.5% weighting) and leverage exposure (2.5% weighting) and achievement of budgeted non-strategic pre-tax income (5% weighting) ^{3, 5}	10%	–	–	–		●	
Cost/income ratio (PB&WM) ⁵	69.0%	20%	–	–	–		●	
Divisional total operating expenses	2014 budget expenses on a foreign exchange neutral basis	–	–	10%	15%		●	
Non-financial criteria (40% weighting)								
Business and infrastructure development	Compensation Committee assessment of strategy execution, business development, performance of businesses and regions and delivery of major projects	15%	15%	15%	15%			●
Other performance	Compensation Committee assessment of capital strength, human capital management, control/operational/reputational risk management, involvement in client activities, partnership and firm focused behavior	25%	25%	25%	25%			●

PB&WM – Private Banking & Wealth Management; IB – Investment Banking

¹ Refer to "Core Results" in II – Operating and financial review for further information on strategic results.

² Excludes FVA of CHF (279) million, of which CHF (108) million are strategic and CHF (171) million are non-strategic.

³ Risk-weighted assets in 2013 are adjusted for methodology changes implemented in the first quarter 2014.

⁴ Non-strategic pre-tax income is based on reported results, excluding fair value gains from movements in own credit spreads of CHF 545 million and FVA of CHF (171) million.

⁵ Based on reported results, excluding Private Banking & Wealth Management litigation expenses of CHF 1,618 million due to the final settlement of all US cross-border matters.

⁶ Calculated using income after tax denominated in USD; assumes tax rate of 30% and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

⁷ Beginning in the second quarter 2014, the majority of the balance sheet usage related to a portfolio of high-quality liquid assets managed by the Treasury function and previously recorded in the Corporate Center has been allocated to the business divisions. Investment Banking's return on regulatory capital has been revised to reflect the impact of this change on the division's Swiss leverage exposure.

Financial performance evaluation

At the Group level, the Compensation Committee noted the weakening of the profitability indicators in 2014, while the non-strategic results improved compared to the prior year. Reported core pre-tax income of CHF 3.2 billion in 2014 was down 8% compared to 2013, reflecting higher operating expenses which included the impact of the US cross-border settlement in May, partly offset by higher revenues. Excluding the impact from FVA, the Group's strategic after-tax return on equity in 2014 was 12.4%, slightly below the target return of 12.5%, reflecting the Group's focus on a strengthened capital base. Excluding the impact from FVA, the Group's strategic cost/income ratio in 2014 was 72.1% compared to the target of 71.0%, reflecting lower net revenues. The Group made good progress in winding down its non-strategic positions

in 2014, achieving a 35% reduction in risk-weighted assets and a 25% decrease in Swiss leverage exposure compared to the prior year, and slightly below the year-end blended reduction target of 35%. Despite these achievements, non-strategic operating results were also slightly below target, mainly due to additional litigation provisions.

In Private Banking & Wealth Management, the cost/income ratio for 2014, excluding the US cross-border settlement charge of CHF 1,618 million, was 69.7% compared to a target of 69.0%, reflecting lower revenues from lower performance fees and lower net interest income. Strategic pre-tax income improved by 3% compared to 2013, due to a 5% reduction in expenses driven by significant efficiency improvements that was partly offset by lower revenues. The non-strategic unit also made good progress during

the year in comparison to the prior year, with risk-weighted assets reduced by 4% and Swiss leverage exposure reduced by 48%, exceeding the year-end blended reduction target of 35%, as well as on target non-strategic operating results.

In Investment Banking, the return on regulatory capital excluding FVA was 8.8% compared to a target of 11.3%, reflecting the continued impact from the non-strategic unit. In addition the Compensation Committee acknowledged the 17% return on regulatory capital delivered by the strategic businesses in 2014, which reflected improved capital efficiency and stable revenues of CHF 13.1 billion. The Investment Banking non-strategic unit made significant progress in winding-down capital positions when compared to the prior year, reducing risk-weighted assets by 51% and Swiss leverage exposure by 27%, exceeding the year-end blended reduction target of 35%. This measure was more than offset by the higher than expected loss in the non-strategic unit.

For the Shared Services functions, the Compensation Committee acknowledged the robust control environment combined with cost discipline and efficiency gains, while transitioning the business to new regulatory requirements, making significant progress on a number of major infrastructure projects. This was reflected in the achievement of lower total operating expenses when compared to the budgeted expenses for 2014, exceeding the target for the year.

► Refer to "Core results", "Private Banking & Wealth Management", "Investment Banking" and "Corporate Center" in II – Operating and financial review for discussions of the individual line items.

Non-financial performance evaluation

In connection with the non-financial performance criteria, the Compensation Committee, in conjunction with evaluations provided by the CEO, assessed the business and infrastructure development in terms of strategy execution, performance of the businesses and regions and delivery of major projects.

In regards to the business and infrastructure related criteria, the Compensation Committee recognized the continued strong efforts to reshape the businesses in response to the evolving environment.

Within the Private Banking & Wealth Management division, special consideration was given to the launch of a number of growth initiatives such as the lending program for the ultra-high-net-worth-individuals client segment, where loan volumes grew 39% in 2014. In addition, the Private Banking & Wealth Management division had several new product initiatives and strategies in place to expand the business into growing regions in order to counter the impact of the negative interest rate environment. 2014 was a critical year for digital innovation for the division. The development of the Digital Private Banking is expected to streamline our existing infrastructure and to deliver a global, unified and cutting-edge digital private banking experience to our clients. The Private Banking & Wealth Management division saw net new assets grow 3.5% in 2014, making good progress towards the

long-term target. The Compensation Committee acknowledged these achievements as well as the high return on regulatory capital of 29% achieved by the strategic business in 2014.

In the Investment Banking division, the Compensation Committee recognized the division's stable revenues despite the challenging and volatile market environment. The division has seen a broad-based increase in client activity across many of the businesses and played key roles in landmark initial public offerings (IPOs), advancing to number four in global IPO rankings. The division has been recognized around the world with a number of additional important rankings and awards. Furthermore, the Compensation Committee assessed the progress achieved in terms of other performance criteria such as capital strength, human capital management, risk management and building a strong compliance culture. The Compensation Committee recognized the progress made towards achieving a more balanced allocation of capital between our Private Banking & Wealth Management and Investment Banking divisions in order to improve operating efficiency and drive returns. Both divisions progressed in the winding-down of the non-strategic operations and reducing their capital consumption. The Private Banking & Wealth Management division completed the sale of the domestic private banking business booked in Germany and the sale of the local affluent and upper affluent business in Italy, both notable milestones for the division. The Investment Banking division sold the commodities trading portfolio which is reducing capital consumption in the division and it is expected to continue to improve our capital efficiency as the sale is completed. On the Group level, strong consideration was given to reaching the Basel III look-through CET1 ratio of 10.1% by year-end 2014 given the increasingly stringent regulatory environment.

For the Shared Services functions, the Compensation Committee recognized the significant progress in the global legal entity restructuring project, substantial rationalization of IT applications which reduced levels of complexity and operational risk while aligning to business and regulatory needs, and the delivery of new platforms and system initiatives. In addition, the Compensation Committee acknowledged the ongoing strong focus on the Group's human capital strategy, which resulted in considerable progress in the reduction of involuntary attrition and early tenure attrition. During the year, an increase in the female population across all corporate titles was also achieved and continued progress made in internal hiring in line with our 'grow your own' strategy, which helped foster internal career development.

With respect to internal control, compliance and risk management considerations, the Compensation Committee was provided with input from the Audit and Risk Committees. The Compensation Committee acknowledged the good efforts made throughout the Group to improve the internal control environment through various measures, including compliance training, raising awareness about business conduct behaviors, improved risk management practices and the implementation of an enhanced operational risk framework.

In terms of operating efficiency, the Group achieved cost savings of CHF 3.5 billion as of year-end 2014, compared to the adjusted run rate cost base for the first half of 2011, measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses as well as variable compensation expenses. This cost efficiency program is expected to achieve the target of over CHF 4.5 billion cost savings by year-end 2015. Furthermore, an additional 3,200 deployments to the Centers of Excellence were completed during 2014 showing a continued strong momentum in building global talent and services.

2014 targets and caps for Executive Board members

	Target levels		Cap levels	
	Range for Executive Board members	CEO	Range for Executive Board members	CEO
Multiples of base salaries				
Short-term awards				
Unrestricted cash	0.3 – 0.8	0.5	0.6 – 1.4	0.8
Short-term incentive award	0.5 – 1.3	0.8	0.9 – 2.1	1.2
Long-term incentive award	0.8 – 2.1	1.4	1.5 – 3.5	2.0

Executive Board compensation for 2014 (audited)

in	Variable compensation				Fixed compensation				Total compensation ⁴
	Unrestricted cash	Value of STI awards	Value of LTI awards ¹	Total variable compensation	Salaries and fixed allowances	Dividend equivalents ²	Pension and similar benefits and other benefits ³	Total fixed compensation	
2014 (CHF million, except where indicated)									
11 members	7.94	13.98 ⁵	17.18	39.10	19.45	2.98	2.53	24.96	64.06
% of total compensation	12%	22%	27%		30%				
of which CEO: Brady W. Dougan	1.52	2.28	3.05	6.85	2.50	0.32	0.03	2.85	9.70
% of total compensation	16%	24%	31%		26%				

¹ The LTI awards are net of CHF 4.7 million as part of the voluntary downward adjustment to the Executive Board compensation awards for 2014 resulting from the final settlement of all US cross-border matters. These awards vest over a five-year period, payable on the third, fourth and fifth anniversaries of the grant date. The final value at settlement depends on the achievement of pre-defined performance criteria linked to the average relative total shareholder return and average strategic return on equity.

² Share awards granted prior to January 1, 2014 carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years and were delivered in cash, consistent with dividends paid on actual shares.

³ Other benefits consist of housing allowances, expense allowances, child allowances and a carried interest award in certain alternative investment funds with a fair value at the time of grant of CHF 1.8 million awarded to Robert S. Shafir. The initial value of this award is determined by making assumptions about the return that will be realized on the funds over their lifetime of up to fifteen years. For the total compensation awarded to members of the Executive Board, the Group made payments of CHF 4.3 million in 2014 and CHF 4.7 million in 2013 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Executive Board members based on their domicile and employment status. These contributions do not form part of the Executive Board members' compensation.

⁴ Does not include CHF 8.6 million of charitable contributions made by the Group for the allocation of which the CEO and three other Executive Board members were able to make recommendations.

⁵ STI awards for 2014 comprise CHF 13.15 million performance shares as well as CHF 0.83 million granted as blocked shares and performance shares to the Executive Board members who were categorized as PRA Code Staff, including the Executive Board member who is no longer on the Executive Board. The applicable Group share price for all share awards was CHF 20.21.

Compensation decisions

Based on the evaluation of the Group, divisional and individual performance, the Board agreed with the Compensation Committee's conclusion that overall, the Executive Board members had met their financial performance targets and significantly exceeded their non-financial targets for 2014. The Board approved the Compensation Committee's recommendations on the amount of incentive compensation to be awarded, subject to an adjustment relating to the US cross-border settlement.

Due to the substantial impact of the US cross-border settlement, the Board and Executive Board agreed to a voluntary reduction to the amounts of compensation that would otherwise have been awarded for 2014. The total compensation for the Board was reduced by approximately 25% and the variable compensation for the Executive Board was reduced by the equivalent of 20% of the

amount that would have otherwise been granted. This agreement reflects the view that the event should have consequences for the compensation of the Group's top supervisory and management bodies, in order to accept the collective responsibility these bodies bear in safeguarding the long-term reputation and professional integrity of the Group's business globally, regardless of which individuals serve as directors or officers within these bodies at any given time.

In line with this voluntary agreement, the Compensation Committee applied a reduction affecting the members that were part of the Executive Board at the time of the settlement. The total value of downward adjustment was CHF 9.0 million, equivalent to 20% of the amount that would have otherwise been granted to such members of the Executive Board as variable compensation for 2014. Of such amount, CHF 4.7 million was deducted from the

amount that would have been awarded as LTI awards for 2014 and CHF 4.3 million was deducted from existing unvested LTI awards granted for 2013. The deduction was applied equally to the 2014 and 2013 LTI awards, except for the one Executive Board member who did not hold existing unvested LTI awards granted for 2013, in which case the entire 20% was deducted from the amount that would have otherwise been awarded as LTI awards for 2014.

Including the voluntary adjustment, the aggregate amount of variable incentive compensation proposed by the Board for

approval by the shareholders at the AGM totaled CHF 39.1 million for 2014, 17% lower than the CHF 47.4 million awarded in 2013. Including the voluntary adjustment, which was applied to LTI awards granted for 2014, the proposed variable incentive compensation for the individual members of the Executive Board averaged 5.7% above the individual target amounts and 38% below the individual caps. The components of the awards granted are shown in the "Executive Board compensation for 2014" table.

► Refer to "Executive Board Compensation proposed for approval at the 2015 AGM" in Executive Board compensation for more information.

2014 performance against targets for CEO

2014 Targets		CEO	2014 Performance against Targets		
			Below	Target	Above
Financial performance criteria (60% weighting)					
Group					
ROE (after tax) – strategic results ^{1,2}	12.5%	30%		●	
Cost/income ratio – strategic results ^{1,2}	71.0%	20%		●	
Wind-down of non-strategic units	35.0% year-on-year reduction of risk-weighted assets (2.5% weighting) and leverage exposure (2.5% weighting) and achievement of budgeted non-strategic pre-tax income (5% weighting) ^{3,4,5}	10%		●	
Non-financial criteria (40% weighting)					
Business and infrastructure development	Compensation Committee assessment of strategy execution, business development, performance of businesses and regions and delivery of major projects	15%			●
Other performance	Compensation Committee assessment of capital strength, human capital management, control/operational/reputational risk management, involvement in client activities, partnership and firm focused behavior	25%			●

¹ Refer to "Core Results" in II – Operating and financial review for further information on strategic results.

² Excludes FVA of CHF (279) million, of which CHF (108) million are strategic and CHF (171) million are non-strategic.

³ Risk-weighted assets in 2013 are adjusted for methodology changes implemented in the first quarter 2014.

⁴ Non-strategic pre-tax income is based on reported results, excluding fair value gains from movements in own credit spreads of CHF 545 million and FVA of CHF (171) million.

⁵ Based on reported results, excluding Private Banking & Wealth Management litigation expenses of CHF 1,618 million due to the final settlement of all US cross-border matters.

2014 total compensation of the CEO and highest paid Executive Board member

In its recommendation to the Board regarding incentive compensation for the CEO Mr. Dougan, who was also the highest paid Executive Board member, the Compensation Committee, in consultation with the Chairman, considered the solid financial position of the Group in 2014. Excluding the impact from FVA, the Group achieved a strategic after-tax return on equity of 12.4% in 2014 with continued momentum on strategy execution despite the challenging and volatile market conditions faced by the divisions and increasingly stringent regulatory environment. Excluding the impact from FVA, the Group's strategic cost/income ratio was 72.1% in 2014 compared to the target of 71.0%, reflecting lower net revenues. The Group made good progress in winding down its non-strategic positions in 2014, achieving a 35% reduction in risk-weighted assets and a 25% decrease in Swiss leverage exposure compared to the prior year, and slightly below the year-end blended reduction target of 35%. Despite these achievements, non-strategic operating results were also slightly below target, mainly due to additional litigation provisions. The Compensation Committee also considered the achievement of capital targets, in particular under Mr. Dougan's

leadership, the achievement of Basel III look-through CET1 ratio of 10.1% at year-end 2014, exceeding the 10.0% year-end target. Furthermore, the Group improved its look-through Swiss leverage ratio to 3.9% at year-end 2014 from 3.7% at year-end 2013, approaching the FINMA requirement of 4.1% applicable in 2019. The Compensation Committee also recognized the progress made towards achieving the Group's challenging target of over CHF 4.5 billion in cost savings by year-end 2015. In terms of strategy execution, the Compensation Committee noted the growth and improvement of the strategic franchises with both divisions looking to innovative solutions for long-term sustainable business models. They also noted the strong emphasis on the reduction of risk-weighted assets and Swiss leverage exposure especially the divestitures and sales which were notable milestones helping the Group's progress towards winding these businesses down. As a particular achievement in 2014, the Compensation Committee acknowledged Mr. Dougan's strong leadership in managing the US cross-border settlement and its consequences. Given the strong performance of Mr. Dougan during 2014, the Board approved the recommendation of the Compensation Committee to award Mr. Dougan unrestricted cash of CHF 1.52 million, a STI award of CHF 2.28 million and a LTI award of CHF 3.05 million

after the voluntary downward adjustment, representing, in aggregate, 101% of his target compensation set for 2014.

Executive Board compensation for 2013

in	Variable compensation				Fixed compensation				Total compensation ⁴
	Unrestricted cash	Value of STI awards	Value of LTI awards ¹	Total variable compensation	Salaries and fixed allowances	Dividend equivalents ²	Pension and similar benefits and other benefits ³	Total fixed compensation	
2013 (CHF million, except where indicated)									
9 members	3.93	21.86 ⁵	21.58	47.37	14.08	2.74	0.58	17.40	64.77
% of total compensation	6%	34%	33%		22%				
of which CEO:									
Brady W. Dougan	0.69	2.77	3.46	6.92	2.50	0.36	0.01	2.87	9.79
% of total compensation	7%	28%	35%		26%				

¹ The LTI awards totaling CHF 21.58 million initially awarded does not reflect the voluntary downward adjustment of CHF 4.3 million to the Executive Board compensation resulting from the final settlement of all US cross-border matters, which is applied against LTI awards granted for 2013. These awards vest over a five year period, payable on the third, fourth and fifth anniversaries of the grant date. The final value at vesting depends on the achievement of pre-defined performance criteria linked to the average relative total shareholder return and average strategic return on equity.

² Share awards granted prior to January 1, 2014 carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years and were delivered in a combination of cash and shares, consistent with dividends paid on actual shares.

³ Other benefits consist of housing allowances, expense allowances and child allowances.

⁴ Does not include CHF 4.8 million of charitable contributions made by the Group for the allocation of which the CEO and three other Executive Board members were able to make recommendations.

⁵ STI awards for 2013 comprise CHF 20.56 million performance shares as well as CHF 1.3 million granted as blocked shares and performance shares to the Executive Board members who were categorized as PRA Code Staff, including the Executive Board member who is no longer on the Executive Board. The applicable Group share price for all share awards was CHF 28.78.

Changes to the Executive Board composition in 2014

Joachim Oechslein became a member of the Executive Board effective January 1, 2014. James L. Amine and Timothy P. O'Hara became members of the Executive Board on October 1, 2014 at which time Eric Varvel ceased to be an Executive Board member. For the period of the year during which these four individuals were Executive Board members, compensation was determined and awarded in line with the Executive Board compensation structure described below. The compensation amounts attributable to the period of the year during which they were Executive Board members are included in the Executive Board Compensation for 2014 table above.

2014 compensation structure

The annual 2014 base salary was CHF 2.5 million for the CEO, CHF 1.5 million for Executive Board members based in Switzerland and USD 1.5 million for Executive Board members based in the US and the UK, which remained unchanged from the prior year.

For 2014, the incentive compensation granted to each Executive Board member prior to the LTI awards downward adjustment consisted of:

- 20% as unrestricted cash payment, except for PRA Code Staff, who received 10% in the form of unrestricted cash and 10% in the form of blocked share awards;
- 30% as STI awards in the form of a deferred performance share award with cliff vesting after three years; and
- 50% as LTI awards in the form of both shared-based awards and CCA in equal portions, with vesting on the third, fourth and fifth anniversaries of the grant date, subject to pre-defined performance conditions.

An overview of the vesting timeline for the Executive Board short-term and long-term award plans is shown in the chart "Key features of Executive Board compensation – 2014". These awards are described in more detail below.

Three of the individuals who served on the Executive Board during part or all of 2014 qualified as PRA Code Staff for 2014. A portion of their compensation was awarded as a fixed allowance, which was taken into consideration when variable compensation was determined.

Key features of Executive Board compensation – 2014

Approach	Composition	Vesting timeline (payout in year after grant)	Key features																								
<ul style="list-style-type: none"> Compensation decisions are based on pre-defined financial and non-financial performance criteria Individual target and cap levels for incentive compensation Cap on aggregate incentive compensation awarded to Executive Board members (2.5% of Group strategic net income) 80% deferred, and final amounts subject to performance-based vesting criteria and malus provisions 	<table border="1"> <tr> <td rowspan="2">50%</td> <td>Cash: 20%</td> <td rowspan="2">Full award at grant</td> <td rowspan="2">Unrestricted cash, except for PRA Code Staff, who will receive 10% in unrestricted cash and 10% in blocked share awards</td> </tr> <tr> <td>STI awards</td> </tr> </table>	50%	Cash: 20%	Full award at grant	Unrestricted cash, except for PRA Code Staff, who will receive 10% in unrestricted cash and 10% in blocked share awards	STI awards																					
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Types of awards

Unrestricted cash

Unrestricted cash awards are payable in cash after grant. The awards are intended to recognize the Executive Board members' performance for the most recent prior year.

Short-term incentive (STI) award

STI awards are granted in the form of performance share awards, and are scheduled to cliff vest on the third anniversary of the grant date, subject to the same performance conditions as the performance share awards granted to managing directors and MRTC. Performance share awards related to performance for years prior to 2014 are deferred ratably over three years with one third of the award vesting on each of the three anniversaries of the grant date.

Refer to "Performance share awards" in Group compensation for performance-based adjustment criteria.

More specifically, for the heads of the divisions reporting a pre-tax loss, the full balance of their unvested STI awards are reduced by 15% per CHF 1 billion of loss and the calculation of the reduction is performed on a pro-rata basis, based on the actual loss amount. If the Group reports a negative strategic ROE, the full balance of their unvested STI awards are reduced by a percentage amount equal to the negative strategic ROE. In the case of both a negative strategic ROE and a divisional pre-tax loss, the negative adjustment applied will be equal to the larger figure of the negative strategic ROE or 15% per CHF 1 billion of pre-tax loss.

For the CEO and Executive Board members who lead a Shared Services function, the malus provision for negative performance will affect outstanding awards only if the Group has a negative strategic ROE.

Refer to "Potential downward adjustments of performance shares and STI awards" in Group compensation for specific downward adjustments to be applied.

Long-term incentive (LTI) award

LTI awards are deferred over a period of five years and vest in three equal tranches, one on each of the third, fourth and fifth anniversaries of the grant date, subject to satisfying pre-defined performance vesting conditions. The amount due at vesting is determined based on the following performance criteria and conditions, which are measured on a tranche-by-tranche basis over the three calendar years preceding the year in which vesting occurs:

- Average of the Relative Total Shareholder Return (RTSR) achieved during each of the three years prior to vesting, calculated by reference to the average total shareholder return achieved by a group of peer firms, is the primary performance metric; and
- Average strategic ROE achieved during the three years prior to vesting compared to the strategic ROE targets set for the respective years acts as a further adjustment, increasing or decreasing the amount payable by up to 25%.
- The amount payable at vesting of each tranche is subject to an overall cap of 200% of the initial LTI award value for that tranche.

RTSR is the Group's total shareholder return compared to the average total shareholder return of peers. Total shareholder return is equal to the appreciation or depreciation of a particular share, plus any dividends, over a given three-year period, expressed as a percentage of the share's value at the beginning of the three-year measurement period. The peer group used for the RTSR calculation is the same group of twelve peer firms shown in the "2014 peer groups and performance criteria" table. The RTSR achievement level can increase or decrease the amount scheduled to vest on a sliding scale basis and is subject to a cap as follows:

- Achievement of average RTSR of 150% (where the Group RTSR is 50% greater than that of the peer group) or greater results in a maximum upward adjustment of 100% (cap) for such a tranche;
- Achievement of average RTSR of 100% (where the Group RTSR is the same as that of the peer group) results in an LTI payout that equals the grant value for such tranche (no upward or downward adjustment);
- Achievement of RTSR of 50% (where the Group RTSR falls 50% below that of the peer group) or below results in the total forfeiture of such tranche (downward adjustment of 100%); and
- Achievement of average RTSR between 50% and 150% of that of the peer group results in an upward or downward adjustment between negative 100% and positive 100%, applied on a sliding scale basis.

Following the RTSR calculation above, the amount payable is subject to a further upward or downward adjustment of up to 25%, depending on the average strategic ROE achieved during the three years prior to vesting compared to the pre-defined strategic ROE targets for the corresponding three-year period. The maximum upward adjustment of 25% applies if the average strategic ROE achieved is 200% of the target. The ROE adjustment, however, cannot increase the amount payable beyond the overall cap equal to 200% of the initial award.

For 2014, 50% of the LTI was structured as a share-based award. The initial number of shares is determined at the time of grant and is adjusted based on the RTSR and ROE over the three year period prior to vesting.

For 2014, 50% of the LTI was delivered as CCA. This element of the LTI has the same terms as CCA awarded to managing directors and directors, except for the vesting and performance metrics, which are the same as those applicable to share-based LTI awards described above. LTI awards granted as CCA entitle recipients to semi-annual cash payments of interest-equivalents until settlement, but would be written down to zero if the CCA trigger events described above occur. At the time of settlement, the Group, at its discretion, may deliver a contingent capital instrument or a cash payment based on the fair value of the CCA.

Malus and clawback provisions

All deferred compensation awards of Executive Board members are subject to the same malus provisions as all employees with deferred compensation as well as the additional malus provisions that apply to Covered Employees. Consistent with the newly issued PRA guidelines, all variable compensation granted to PRA Code Staff as of or after January 1, 2015 is also subject to clawback. In addition, there are performance-based malus provisions for the STI award and specific performance targets for the LTI award.

► Refer to "Malus provisions" and "Clawback provisions" in Group compensation for more information.

Other aspects of Executive Board compensation

Charitable contributions

Consistent with the prior three years, the Compensation Committee approved contributions which will benefit eligible registered charities. The total amount approved for charitable contributions was CHF 8.6 million for 2014. The CEO and three other members of the Executive Board during 2014 were able to make recommendations in respect of the allocation of the 2014 contributions to various specific charities.

Minimum share ownership requirements

The Group applies minimum share ownership requirements for members of the Executive Board as follows:

- CEO: 350,000 shares; and
- Other Executive Board members: 150,000 shares.

The thresholds include all Group shares held by or on behalf of these executive employees, including unvested share-based awards. All affected executive employees are restricted from selling shares, or from receiving their share-based awards in the form of cash, until they fulfill the minimum share ownership requirements. The Group prohibits all employees from entering into transactions to hedge the value of unvested share-based awards. Pledging of unvested deferred awards by Executive Board members is also not permitted unless expressly approved by the Compensation Committee.

Cash settlement of share awards

The terms of all past and future share-based awards granted to the Executive Board were amended in 2014 to enable election of settlement in cash or shares. The Executive Board members are permitted to elect, at a predefined date in advance of settlement, to receive their vested share-based awards in the form of shares, cash or 50% in the form of shares and 50% in cash, in each case based on the Group share price at the time of settlement. An election to receive cash is subject to reversal if at the time of settlement the Group share price is less than 75% of the share price at the time of election. The timing and pricing of settlement will be the same as under the previous award plan and as under the plans of the non-Executive Board population. This change does not affect deferred share-based awards to non-Executive Board members, which will continue to be settled in the form of Group shares.

Contract lengths, termination and change in control provisions

All members of the Executive Board have employment contracts with the Group which are valid until terminated. The notice period for termination of employment by either the Group or the respective Executive Board member is six months. In the event of termination, there are no contractual provisions that allow for the payment of severance awards to Executive Board members. Pre-defined conditions for all employees apply for the payment of outstanding deferred compensation awards, depending on whether the termination of employment was voluntary, involuntary or the result of a change in control. There are no other contracts, agreements or arrangements with the members of the Executive Board that provide for other types of payments or benefits in connection with termination of employment that are not generally available to other employees of the Group.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Board upon recommendation of the Compensation Committee with the aim of maximizing shareholder value, subject to circumstances and prevailing market conditions. There are no provisions in the employment contracts of Executive Board members or any other pre-determined arrangements that require the payment of any type of extraordinary benefits, including special severance awards, in the case of a change in control.

Former Executive Board members

Generally, former members of the Group's most senior executive body who no longer provide services to the Group are still eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees or other forms of compensation were paid to former members of the Executive Board who no longer provided services to the Group during 2014.

Executive Board shareholdings and loans

Executive Board shareholdings

The table "Executive Board holdings and values of deferred share-based awards by individual" discloses the shareholdings of the Executive Board members, their immediate family and companies in which they have a controlling interest, as well as the value of the unvested share-based compensation awards held by Executive Board members as of December 31, 2014.

The value of share-based compensation awards granted to Executive Board members in prior years varies depending on the Group share price and other factors influencing the fair value of the award. The cumulative value of these unvested share-based awards as of December 31, 2014 was on average 1% lower than at the grant date value of the awards.

As of December 31, 2014, the outstanding cash-based deferred compensation awards granted to certain Executive Board members in prior years were the 2008 Partner Asset Facility, the Plus Bond awards, the COF, CCA and the 2012 and 2013 LTI awards. The cumulative value of such cash-based awards at their grant dates was CHF 62 million compared to CHF 70 million as of December 31, 2014.

Executive Board holdings and values of deferred share-based awards by individual

end of	Number of owned shares ¹	Number of unvested share awards	Number of owned shares and unvested share awards	Number of unvested SISUs	Value of unvested awards at grant (CHF)	Current value of unvested awards (CHF)
December 31, 2014						
Brady W. Dougan	641,334	326,139	967,473	–	8,074,202	8,179,566
James L. Amine	79,131	522,755	601,886	–	13,505,094	13,110,695
Gaël de Boissard	249,617	506,289	755,906	–	13,485,853	12,697,728
Romeo Cerutti	96,887	169,842	266,729	–	4,158,932	4,259,637
David R. Mathers	32,146	287,055	319,201	–	7,031,063	7,199,339
Hans-Ulrich Meister	318,484	321,385	639,869	–	7,948,267	8,060,336
Joachim Oechslin	–	64,060	64,060	–	1,595,094	1,606,625
Timothy P. O'Hara	–	664,016	664,016	–	17,154,283	16,653,521
Robert S. Shafir	617,053	386,794	1,003,847	–	9,439,287	9,700,794
Pamela A. Thomas-Graham	–	158,139	158,139	–	3,857,930	3,966,126
Total	2,034,652	3,406,474	5,441,126	–	86,250,005	85,434,367
December 31, 2013						
Brady W. Dougan	1,221,334	416,540	1,637,874	38,051	12,176,651	12,396,697
Gaël de Boissard	107,329	536,014	643,343	31,283	16,187,272	15,470,189
Romeo Cerutti	136,344	231,491	367,835	11,636	6,128,891	6,630,073
Tobias Guldimann	–	258,127	258,127	14,545	6,907,523	7,435,765
David R. Mathers	17,469	387,642	405,111	7,565	9,422,493	10,777,295
Hans-Ulrich Meister	189,478	417,112	606,590	23,273	11,248,886	12,009,299
Robert S. Shafir	617,053	532,112	1,149,165	31,160	14,344,561	15,360,428
Pamela A. Thomas-Graham	–	216,875	216,875	7,191	5,461,314	6,110,280
Eric M. Varvel	–	286,098	286,098	27,735	9,597,358	8,558,226
Total	2,289,007	3,282,011	5,571,018	192,439	91,474,949	94,748,252

¹ Includes shares that were initially granted as deferred compensation and have vested.

Executive Board loans (audited)

The majority of loans outstanding to Executive Board members are mortgages or loans against securities. Such loans are made on the same terms available to employees under the Group's employee benefit plans. Each Executive Board member may be granted individual credit facilities or loans up to a maximum of CHF 20 million. As of December 31, 2014, 2013 and 2012, outstanding loans to Executive Board members amounted to CHF 5 million, CHF 10 million and CHF 8 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2014 was four and three, respectively, and the highest loan outstanding was CHF 3 million to Joachim Oechslin.

All mortgage loans to Executive Board members are granted either with variable or fixed interest rates over a certain period. Typically, mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin, and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. The same credit approval and risk assessment procedures apply to Executive Board members as for other employees. Unless otherwise noted, all loans to Executive Board members were made in the ordinary course of business and

substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees. These loans did not involve more than the normal risk of collectability or present other unfavorable features.

► Refer to "Banking relationships and related party transactions" in Corporate Governance for further information.

2015 targets, caps and performance criteria

The targets, caps and performance criteria to be applied in 2015 are based on the framework and approach used for the 2014 performance year.

Similar to 2014, the performance criteria for 2015 encompass the achievement of profitability and cost targets, as well as progress towards the wind-down of the non-strategic operations in light of the current operating environment. The progress of the wind-down of the non-strategic operations will be measured based on the achievement of reduction targets for risk-weighted assets and leverage exposure and the attainment of pre-tax income targets. The Compensation Committee will also evaluate measures relating to the execution of the Group's strategy, development of the businesses, delivery of major infrastructure projects and other specific performance measures for each individual.

The target levels of compensation and the specific levels for each metric at which target levels of compensation are achieved will be determined based on the 2015 financial plan of the Group approved by the Board. The 2015 financial plan specifies performance targets and metrics for floor, target and cap performance levels. These factors will form the basis for the Compensation Committee's evaluation of 2015 performance against targets and its proposal of 2015 Executive Board variable compensation. The overall cap on total Executive Board incentive compensation for 2015 will be 2.5% of strategic Group net income. The individual variable compensation caps have been either maintained or reduced as multiples of base salaries for 2015, with cash awards ranging from 0.4 to 1.3 times salary, STI awards ranging from 0.6 to 1.9 times base salary and LTI awards ranging from 1.0 to 3.2 times base salary. The variable compensation caps as multiples of base salary for the CEO remain unchanged compared to 2014. For 2013 and 2014, the Compensation Committee had in its recommendations to the Board the explicit discretion to adjust incentive awards resulting from the performance assessment against financial and non-financial targets by a factor of plus or minus 20%. This discretion was not used in the context of the Executive Board compensation for 2014 and the Compensation Committee and the Board decided not to apply this explicit 20% discretion going forward.

Executive Board compensation proposed for approval at the 2015 AGM

Pursuant to the Compensation Ordinance and the AoA, the AGM approves on an annual basis the compensation of the Executive Board, based on a proposal by the Board. The Board may propose that a maximum aggregate amount or maximum partial amounts of compensation components for the Executive Board be approved at the AGM in advance or retroactively for the defined period described in the proposal. Accordingly, the Board will submit the following proposals to the shareholders at the 2015 ordinary AGM:

Approval of the Executive Board aggregate variable compensation for the 2014 financial year

The Board proposes that the shareholders approve an aggregate amount of variable compensation to be awarded to members of the Executive Board for the financial year 2014 of CHF 39.1 million. The total amount is comprised of unrestricted cash and deferred STI and LTI awards and reflects the performance achieved for 2014, as specified in the sections "Performance evaluation for 2014", "2014 Performance against target", "Executive Board compensation for 2014", and "2014 performance against targets for CEO". The proposed amount excludes any legally required employer contributions to social security systems.

Approval of the Executive Board aggregate fixed compensation for the period from the 2015 AGM to the 2016 AGM

The Board proposes to approve an aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2015 AGM to the 2016 AGM of no more than CHF 32 million. The total amount of fixed compensation is comprised of base salaries, fixed allowances for members of the Executive Board qualifying as "PRA Code Staff", dividend equivalents (payable for unvested deferred share awards granted before 2014 only), and pension and similar benefits. The proposed amount excludes any legally required employer contributions to social security systems.

2015 compensation structure

The proposed annual base salary included in the AGM vote on fixed compensation for the Executive Board will be CHF 3.0 million for the CEO, CHF 2.0 million for the Executive Board members based in Switzerland and USD 2.0 million for Executive Board members based in the US and the UK. As of December 31, 2014, two of the Executive Board members qualified as "PRA Code Staff" for 2015 and will therefore receive a portion of the compensation as a fixed allowance of CHF 5.8 million in total.

For the 2015 compensation structure, a slight amendment will be made in comparison to the structure applicable for 2014 compensation. The STI awards will be delivered in the form of CCA instead of performance share awards, and the LTI awards will be delivered in shares only, rather than a combination of shares and CCA. Accordingly, the variable compensation for each Executive Board member for 2015 will consist of:

- 20% as unrestricted cash payment, except for "PRA Code Staff", who will receive 10% in the form of unrestricted cash and 10% in the form of blocked share awards;
- 30% as STI awards in the form of CCA with cliff vesting on the third anniversary of the grant date; and
- 50% as LTI awards in the form of share awards with vesting on the third, fourth and fifth anniversaries of the grant date, subject to pre-defined performance vesting conditions.

BOARD OF DIRECTORS COMPENSATION

Governance

The governance of the compensation to members of the Board is set forth in the AoA and in the OGR. The annual compensation paid to members of the Board, including the Chairman, is approved by the Board, based on the recommendation of the Compensation Committee for the 12-month period from the current AGM to the following year's AGM. For the first time at the AGM 2015, the total aggregate amount of Board compensation is subject to approval by the shareholders pursuant to the Compensation Ordinance. In the case of the Chairman's compensation and the additional fees for the committee chairmen, the Board member concerned does not participate in the recommendation involving his or her own compensation.

Changes to the Board composition in 2014

At the 2014 AGM, Peter Brabeck-Letmathe and Walter B. Kielholz stepped down from the Board and Severin Schwan and Sebastian Thrun were elected as new members of the Board.

Basis of determining compensation for the Board

Board members are compensated on the basis of fees, which reflect the respective Board member's role, time commitment and scope of responsibility on the Board. The fee amounts are set at levels to attract and retain highly qualified and experienced individuals and take into consideration levels at comparable leading Swiss companies. During 2014, the Board adopted a revised fee structure for members of the Board. Key changes include the harmonization of the base board fees, a more granular fee structure for committee participation and fixed chair fees for the Chairman and the three committee chairmen, which reflects the greater responsibility and considerable time dedicated to fulfilling these leadership roles. Except for the full-time Chairman, all members of the Board receive an annual base board fee of CHF 250,000. Board members also receive annual committee fees for each committee membership as shown in the table below.

Fees paid to Board members are in the form of cash and Group shares, which are blocked for a period of four years. This ensures that the interests of Board members are closely aligned to the interests of shareholders.

Membership fees

Membership	Annual fee (in CHF)
Board of Directors – base fee	250,000
Audit Committee	150,000
Chairman's and Governance Committee	100,000
Compensation Committee	100,000
Risk Committee	100,000

Compensation of the Chairman

The Chairman is paid an annual base board fee in cash (12 monthly payments) plus a chair fee in Group shares. For 2014, the base board fee of the Chairman was CHF 2.5 million and the chair fee was CHF 1.0 million. The total compensation paid to the Chairman reflects his full-time status and active role in shaping the Group's strategy, governing the Group's affairs, engaging with the CEO and senior management and with stakeholders. The Chairman coordinates the Board's activities, works with the committee chairmen to coordinate the tasks of the committees and ensures that Board members are provided with sufficient information to perform their duties. The Chairman drives the Board agenda on key topics such as the strategic development of the Group, succession planning and the structure and organization of the Group. The Chairman also steers the agenda on compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the shareholder meetings and takes an active role in representing the Group to regulators and supervisors, key shareholders, investors, and other stakeholders. Moreover, he is a member of several industry associations on behalf of the Group. He is a member of the board of directors of the Institute of International Finance and chairs the Institute's Special Committee on Effective Regulation. Until the end of 2014, the Chairman was also a member of the group of experts on the further development of the financial market strategy appointed by the Swiss Federal Council.

Compensation of the Lead Independent Director and the Vice-Chairs

Noreen Doyle, as Lead Independent Director and Vice-Chair, and Richard E. Thornburgh as Vice-Chair do not receive additional compensation for these roles. Both individuals are members of the Chairman's and Governance Committee, however, for which they receive an annual committee fee of CHF 100,000.

Compensation of the committee chairmen

Jean Lanier, Richard E. Thornburgh and John Tiner, each in the role of committee chairman of the Compensation, Risk and Audit Committees, respectively, receive chair fees, reflecting the greater responsibility and time commitment required to perform the role of a committee chairman, which is considered to be a significant part-time role. For 2014, the chair fee was CHF 200,000 for the chairman of the Compensation Committee and CHF 800,000 each for the chairmen of the Risk and Audit Committees. These fees are fixed in advance and are not linked to the Group's financial performance. In addition to the greater time commitment required to prepare and lead the committee work, the chair fees consider the engagement of the three committee chairmen throughout the year with global regulators, shareholders, the business divisions and Shared Services functions and other stakeholders. Regulatory developments in the banking industry in recent years have put increasing demands on the Risk and Audit Committee chairmen, in particular, increasing the frequency of interaction with the Group's main regulators on internal control, risk, capital and other matters under the supervision of these committees. Similarly, the greater focus of shareholders and regulators on compensation has resulted in an increased number of engagements between the Compensation Committee chairman and large shareholders and shareholder groups, as well as with regulators. The Audit Committee chair fee also considers the greater number of meetings required of the Audit Committee for the review and approval of the quarterly financial results and related filings (e.g. 18 meetings and calls held during 2014) and the Audit Committee chairman's supervisory role over the Internal Audit function. The Head of Internal Audit has a direct reporting line to the Audit Committee chairman and is required to deliver regular reports to the Audit Committee. The chairman of the Risk Committee is in regular contact with the Group chief risk officer and the senior management in the risk management function. Moreover, the Risk Committee chair fee also considers the additional role Mr. Thornburgh assumes as

board member and Risk Committee chairman of the Group's UK subsidiaries Credit Suisse International and Credit Suisse Securities (Europe) Limited. Whereas other non-executive directors of these UK entities receive directors fees for their board and committee roles, Mr. Thornburgh does not receive separate fees for this additional role.

► Refer to "Members of the Board and Board committees" in Corporate Governance – Board of Directors for further information.

2014 adjusted compensation for the Board

In proposing the 2014 compensation for the Board, the Compensation Committee considered the final settlement regarding all outstanding US cross-border matters. The Compensation Committee agreed that this event should have consequences for the compensation of the Board, in order to reflect the responsibility it bears in safeguarding the long term reputation and professional integrity of the Group's businesses globally, regardless of which individuals serve as directors at any given time. The Compensation Committee therefore recommended reductions to the compensation awarded to the Board. The Board approved a 50% reduction in their share-based compensation for 2014, which is approximately 25% of total Board compensation. For the Chairman, the 50% reduction was applied against the chair fee, which was reduced to CHF 1 million.

► Refer to "Compensation decisions" in Executive Board compensation for more information.

Former members of the Board

Two former members of the Board are eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to former members of the Board or related parties during 2014.

Board compensation for 2014 (audited)

in	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.

Board compensation for 2013

in	Base board fee	Committee fee	Additional fees ¹	Other compensation categories ²	Total compensation	Awarded in cash	% of total compensation	Awarded in Group shares	% of total compensation	Number of Group shares ³
2013 (CHF)										
Urs Rohner, Chairman ⁴	2,500,000	–	2,250,000	153,260	4,903,260	3,778,260	77%	1,125,000	23%	39,090
Peter Brabeck-Letmathe, Vice-Chairman ⁵	400,000	–	–	–	400,000	200,000	50%	200,000	50%	7,455
Jassim Bin Hamad J.J. Al Thani ⁵	250,000	–	–	–	250,000	125,000	50%	125,000	50%	4,659
Iris Bohnet ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	6,523
Noreen Doyle ⁵	250,000	100,000	294,000	–	644,000	469,000	73%	175,000	27%	6,523
Jean-Daniel Gerber ⁵	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	7,455
Walter B. Kielholz ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	6,523
Andreas N. Koopmann ⁵	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%	8,387
Jean Lanier, Chairman of the Compensation Committee ⁴	400,000	–	400,000	–	800,000	600,000	75%	200,000	25%	6,950
Kai S. Nargolwala ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	6,523
Anton van Rossum ⁵	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	6,523
Richard E. Thornburgh, Chairman of the Risk Committee ⁴	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	17,374
John Tiner, Chairman of the Audit Committee ⁴	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	17,374
Total	6,100,000	850,000	4,944,000	153,260	12,047,260	8,097,260	67%	3,950,000	33%	141,359

¹ Includes the additional fees for the full-time Chairman and the three committee chairmen as well as the additional fees of CHF 294,000 (GBP 200,000) paid to Noreen Doyle in 2013 as a non-executive director and chair of the boards of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited. The additional fees of CHF 400,000 were awarded to Jean Lanier as Chairman of the Compensation Committee in 2013, a role to which he was appointed as of the 2013 AGM on April 26, 2013.

² Other compensation for the Chairman included pension benefits, lump sum expenses and child and health care allowances.

³ The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period.

⁴ The Chairman and the three committee chairmen received an annual base board fee paid in cash. They also received additional fees paid in cash and/or shares as determined by the Board in the course of the regular compensation process. The additional fees paid to the three committee chairmen covered their regular memberships in other committees that they do not chair. The additional fees awarded to these four individuals for 2013 were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 28.78.

⁵ Except for the Chairman and the three committee chairmen, members of the Board were paid an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from April 26, 2013 to May 9, 2014. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for each of the Risk and Compensation Committees. For 2013, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2013 AGM was CHF 26.83.

Board compensation proposed for approval at the 2015 AGM

Pursuant to the Compensation Ordinance and the Group's Articles of Association, the AGM approves on an annual basis the compensation of the Board in advance as a maximum amount for the period until the next ordinary AGM. Accordingly, the Board will submit the following proposal to the shareholders at the 2015 ordinary AGM:

Approval of the compensation of the Board for the period from 2015 AGM to 2016 AGM

The Board proposes to approve an aggregate amount of compensation to be paid to members of the Board for the 12 month period from the 2015 AGM to the 2016 AGM of no more than CHF 12 million. The total amount is comprised of base board fees, committee fees, chair fees and (if applicable) pension benefits and other benefits as specified in the section "Board of Directors Compensation". The proposed amount excludes any legally required employer contributions to social security systems.

Board shareholdings and loans

Board shareholdings

The table below discloses the shareholdings of the Board members, their immediate family and companies in which they have a controlling interest. As of December 31, 2014, there were no Board members with outstanding options.

Board shareholdings by individual

in	2014	2013
December 31 (shares)¹		
Urs Rohner	229,492	230,402
Jassim Bin Hamad J.J. Al Thani	19,763	17,918
Iris Bohnet	18,243	15,464
Noreen Doyle	52,984	49,014
Jean-Daniel Gerber	21,550	17,701
Andreas N. Koopmann	46,859	42,569
Jean Lanier	56,665	44,951
Kai S. Nargolwala	176,974	114,666
Anton van Rossum	59,081	56,464
Severin Schwan	25,155	–
Richard E. Thornburgh	184,668	212,530
Sebastian Thrun	2,779	–
John Tiner	70,482	48,471
Total	964,695	850,150²

¹ Includes Group shares that are subject to a blocking period of up to four years; includes shareholdings of immediate family members.

² Excludes 144,186 shares and 316,675 shares held by Peter Brabeck-Letmathe and Walter B. Kielholz, respectively, who stepped down from the Board as of May 9, 2014.

Board loans

The majority of loans outstanding to members of the Board are mortgages or loans against securities. Such loans are made to Board members on the same terms available to third-party clients. Each member of the Board may be granted individual credit facilities or loans up to a maximum of CHF 20 million at market conditions. As of December 31, 2014, 2013 and 2012, outstanding loans to Board members amounted to CHF 16 million, CHF 55 million and CHF 41 million, respectively.

Board members with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Board members who were previously employees of the Group may still have outstanding loans, which were provided at the time that employee conditions applied to them. Unless otherwise noted, all loans to Board members are made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans do not involve more than the normal risk of collectability or present other unfavorable features. In addition to the loans listed below, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current Board members have a significant influence as defined by the SEC. Examples include holding executive and/or board level roles in these companies. Unless otherwise noted, loans extended by the Group to such companies are also made in the ordinary course of business and at prevailing market conditions. As of December 31, 2014, 2013 and 2012, there was no loan exposure to such related party companies that was not made in the ordinary course of business and at prevailing market conditions.

► Refer to "Banking relationships and related party transactions" in Corporate Governance for further information.

Board loans by individual (audited for 2014)

in	2014	2013
December 31 (CHF)		
Urs Rohner	5,097,475	4,968,270
Andreas N. Koopmann	4,885,919	4,933,650
Richard E. Thornburgh	6,223,479	222,756
Total¹	16,206,873	10,124,676²

¹ Includes loans to immediate family members.

² Excludes loans of CHF 40,631,650 and CHF 4,000,000 held by Peter Brabeck-Letmathe and Walter B. Kielholz, respectively, who stepped down from the Board as of May 9, 2014.

DISCONTINUED COMPENSATION PLANS

The Group has discontinued compensation instruments with leverage components. A summary of the principal forms of awards granted in prior years, which have since been discontinued but are still outstanding, is shown in the following overview. For certain plans, the Group retains the right to settle the instruments in cash or in shares at its discretion.

Principal outstanding deferred variable compensation plans

Restricted Cash Awards

- Basis: cash-based;
- Vesting start: January 2013;
- Vesting end: January 2016;
- Applied to: performance in 2012, which included managing directors in Investment Banking;
- General award conditions: vesting ratably over three years and other restrictive covenants and provisions. Paid in the first quarter of 2013;
- Other award conditions or restrictions: subject to repayment in part or in full if a performance-based malus event occurs, such as voluntary termination or termination for cause during the vesting period;
- Program objective/rationale: promoting retention of senior management.

Plus Bond awards

- Basis: cash-based;
- Vesting start: 2012/January 2013;
- Vesting end: 2012/January 2016;
- Applied to: performance in 2012 for managing directors and directors in Investment Banking. Other managing directors and directors were allowed to reallocate a portion of the share awards into Plus Bond awards. Mandatory Plus Bond awards for managing directors and directors in the Investment Banking division were fully vested on grant, subject to cancellation in the event of a termination with cause or where settlement conditions are violated. Vesting in 2016 for employees who elected to reallocate a portion of their share awards to Plus Bond awards;
- General award conditions: awards are linked to the future performance of a portfolio or unrated and sub-investment grade asset-backed securities that are held in inventory by various trading desks in Investment Banking;
- Other award conditions or restrictions: Plus Bond award holders will receive semi-annual cash payments at the rate of ◻ LIBOR plus 7.875% per annum. Holders of Plus Bond awards are subject to a non-compete/non-solicit provision;
- Program objective/rationale: providing employees with a fixed income strategy while transferring risk from the Group to employees thereby contributing to a reduction of ◻ risk-weighted assets.

Capital Opportunity Facility (COF)

- Basis: cash-based;
- Vesting start: 94% vested at the time of conversion in February 2014;
- Vesting end: February 2016;
- Applied to: performance in 2011, as this was derived from the conversion of the 2011 Partner Asset Facility (PAF2);
- General award conditions: The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by the COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. COF awards were obtained in exchange for PAF2 awards. PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief up until December 2013. Due to regulatory changes, the capital relief was no longer available after December 31, 2013. As a result, the Group restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to either COF or CCAs, or a combination thereof;
- Other award conditions or restrictions: COF holders will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021;
- Program objective/rationale: providing employees with semi-annual fixed income distributions and a potential return on the reference assets at maturity while transferring risk from the Group to employees thereby contributing to risk reduction and capital efficiency.

Contingent Capital Awards (CCA) derived from PAF2

- Basis: cash-based;
- Vesting start: 94% vested at the time of conversion in February 2014;
- Vesting end: February 2016;
- Applied to: performance in 2011, as this was derived from the conversion of the 2011 Partner Asset Facility (PAF2);
- General award conditions: PAF2 awards participants electing to receive CCA in substitute receive similar terms to the instruments granted as part of the 2013 and 2014 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates (4.51% per annum over the six-month Swiss franc LIBOR or 5.07% per annum over the six-month US dollar LIBOR).

- Other award conditions or restrictions: Settlement is expected to occur in February 2016, subject to regulatory approvals. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by the Group. CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written-down to zero and canceled if any of the following trigger events were to occur: CET1 falls below 7%; or FINMA determine cancellation of the award is necessary;
- Program objective/rationale: Utilized to align compensation with the maintenance of strong capital ratios, provide additional tier 1 capital, and reduce dilution to existing share capital that would otherwise be incurred with the issuance of share-based deferred compensation awards.

► Refer to "Contingent Capital Awards (CCA)" in Group compensation for further information.

Adjustable Performance Plan awards

- Basis: cash and share-based;
- Vesting start: January 2011;
- Vesting end: January 2014;
- Applied to: performance in 2010, which included the Executive Board, managing directors and directors;
- General award conditions: Adjustable Performance Plan awards link awards to future performance through positive and negative adjustments. Vesting ratably over a four-year period;
- Other award conditions or restrictions: for revenue-generating employees in the divisions, Adjustable Performance Plan awards are linked to the financial performance of the specific business areas in which the employees work and the Group reported ROE. For employees in Shared Services and other support functions and all Executive Board members, the awards are linked to the Group's adjusted profit or loss and the Group reported ROE;
- Program objective/rationale: promoting retention of Executive Board members, managing directors and directors.

2008 Partner Asset Facility (PAF)

- Basis: cash-based;
- Vesting start: 2008, 66.7% vested upon grant;
- Vesting end: 33.3% vested in March 2009;
- Applied to: performance in 2008, which included all managing directors and directors in Investment Banking;
- General award conditions: the contractual term of a PAF award is eight years. PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in Investment Banking. The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool as of December 31, 2008, and those assets cannot be substituted throughout the contractual term of the award or until liquidated;
- Other award conditions or restrictions: PAF holders will receive a semi-annual cash interest payment of the LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. They will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool;
- Program objective/rationale: designed to incentivize senior managers in Investment Banking to effectively manage assets which were a direct result of risk taking in Investment Banking during this period. As a result of the PAF program, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the Group's risk-weighted assets, resulting in a reduction in capital usage.

► Refer to "Note 28 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for more information.

APPENDIX 5 — OUR FINANCIAL STATEMENTS EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2014

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the section headed “Consolidated financial statements — Credit Suisse (Bank)” from pages 389 to 476 of the Credit Suisse annual report 2014 in this appendix 5. References to page numbers in this appendix 5 are to the pages in the Credit Suisse annual report 2014 and not to the pages in this document.

For further information on our financial statements (including the notes to such statements), we refer you to the complete Credit Suisse annual report 2014 on our website at www.credit-suisse.com.

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

Credit Suisse AG, Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of Credit Suisse AG and subsidiaries (the “Bank”), which comprise the balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes thereto for each of the years in the three-year period ended December 31, 2014.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Swiss law and Swiss Auditing Standards and 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. 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 consolidated 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 consolidated financial statements for the year ended as of December 31, 2014 and 2013, give a true and fair view of the financial position, the results of operations and the cash flows for each of the years in the three-year period ended December 31, 2014, in accordance with U.S. Generally Accepted Accounting Principles and comply with Swiss law.



Report on Other Legal 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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

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, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 20, 2015 expressed an unqualified opinion on the effectiveness of the 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 20, 2015

Consolidated financial statements

Consolidated statements of operations

	Reference to notes	2014	2013	in 2012
Consolidated statements of operations (CHF million)				
Interest and dividend income	6	18,585	19,017	21,539
Interest expense	6	(9,908)	(11,307)	(14,757)
Net interest income	6	8,677	7,710	6,782
Commissions and fees	7	12,887	13,057	12,543
Trading revenues	8	1,790	2,755	1,163
Other revenues	9	2,235	1,792	2,488
Net revenues		25,589	25,314	22,976
Provision for credit losses	10	125	93	88
Compensation and benefits	11	11,382	11,187	12,219
General and administrative expenses	12	9,573	8,654	7,205
Commission expenses		1,548	1,726	1,685
Total other operating expenses		11,121	10,380	8,890
Total operating expenses		22,503	21,567	21,109
Income from continuing operations before taxes		2,961	3,654	1,779
Income tax expense	26	1,299	1,170	365
Income from continuing operations		1,662	2,484	1,414
Income/(loss) from discontinued operations, net of tax	4	102	145	(40)
Net income		1,764	2,629	1,374
Net income attributable to noncontrolling interests		445	669	333
Net income/(loss) attributable to shareholder		1,319	1,960	1,041
of which from continuing operations		1,217	1,815	1,081
of which from discontinued operations		102	145	(40)

Consolidated statements of comprehensive income

	2014	2013	2012
Comprehensive income (CHF million)			
Net income	1,764	2,629	1,374
Gains/(losses) on cash flow hedges	(27)	2	7
Foreign currency translation	2,284	(2,234)	(1,252)
Unrealized gains/(losses) on securities	21	(18)	(43)
Actuarial gains/(losses)	58	(43)	59
Net prior service credit/(cost)	14	0	(1)
Other comprehensive income/(loss), net of tax	2,350	(2,293)	(1,230)
Comprehensive income	4,114	336	144
Comprehensive income attributable to noncontrolling interests	614	634	95
Comprehensive income/(loss) attributable to shareholder	3,500	(298)	49

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheets

	Reference to notes	2014	end of 2013
Assets (CHF million)			
Cash and due from banks		78,000	68,081
of which reported at fair value		304	527
of which reported from consolidated VIEs		1,493	952
Interest-bearing deposits with banks		4,104	3,385
of which reported at fair value		0	311
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	13	163,208	160,013
of which reported at fair value		104,283	96,587
of which reported from consolidated VIEs		660	1,959
Securities received as collateral, at fair value		26,854	22,800
of which encumbered		25,220	17,964
Trading assets, at fair value	14	241,313	229,738
of which encumbered		77,583	72,976
of which reported from consolidated VIEs		4,261	3,610
Investment securities	15	2,379	1,627
of which reported at fair value		2,379	1,627
of which reported from consolidated VIEs		0	100
Other investments	16	8,467	10,207
of which reported at fair value		5,642	7,590
of which reported from consolidated VIEs		2,105	1,983
Net loans	17	255,928	231,157
of which reported at fair value		22,913	19,457
of which encumbered		192	638
of which reported from consolidated VIEs		245	4,207
allowance for loan losses		(597)	(691)
Premises and equipment	18	4,441	4,895
of which reported from consolidated VIEs		422	481
Goodwill	19	7,766	7,121
Other intangible assets	20	249	210
of which reported at fair value		70	42
Brokerage receivables		41,629	52,044
Other assets	21	70,511	61,567
of which reported at fair value		32,321	31,518
of which encumbered		250	722
of which reported from consolidated VIEs		16,132	14,329
Assets of discontinued operations held-for-sale		0	1,584
Total assets		904,849	854,429

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheets (continued)

	Reference to notes	2014	end of 2013
Liabilities and equity (CHF million)			
Due to banks	22	26,506	23,147
of which reported at fair value		832	1,460
Customer deposits	22	357,569	321,678
of which reported at fair value		3,251	3,241
of which reported from consolidated VIEs		3	265
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	13	70,119	94,032
of which reported at fair value		54,732	76,104
Obligation to return securities received as collateral, at fair value		26,854	22,800
Trading liabilities, at fair value	14	72,667	76,812
of which reported from consolidated VIEs		35	93
Short-term borrowings		25,921	20,193
of which reported at fair value		3,861	6,053
of which reported from consolidated VIEs		9,384	4,286
Long-term debt	23	172,947	126,741
of which reported at fair value		80,260	62,462
of which reported from consolidated VIEs		13,452	12,992
Brokerage payables		56,977	73,154
Other liabilities	21	50,648	51,100
of which reported at fair value		16,933	21,971
of which reported from consolidated VIEs		1,727	710
Liabilities of discontinued operations held-for-sale		0	1,140
Total liabilities		860,208	810,797
Common shares / participation securities		4,400	4,400
Additional paid-in capital		34,842	34,851
Retained earnings		15,877	14,621
Accumulated other comprehensive income/(loss)	24	(12,224)	(14,405)
Total shareholder's equity		42,895	39,467
Noncontrolling interests		1,746	4,165
Total equity		44,641	43,632
Total liabilities and equity		904,849	854,429

end of	2014	2013
Additional share information		
Par value (CHF)	1.00	1.00
Issued shares	4,399,680,200	4,399,665,200
Shares outstanding	4,399,680,200	4,399,665,200

The Bank's total share capital is fully paid and consists of 4,399,680,200 registered shares as of December 31, 2014. 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							Total equity
	Common shares/ participation securities	Additional paid-in capital	Retained earnings	Treasury shares, at cost ¹	Accumulated other comprehensive income	Total shareholder's equity	Non-controlling interests	
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 ^{2, 3}	–	–	–	–	–	–	(578)	(578)
Sale of subsidiary shares to noncontrolling interests, not changing ownership ³	–	–	–	–	–	–	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) ⁴	–	–	–	(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
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

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 (69) million from the excess recognized compensation expense over fair value of shares delivered.

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							Total equity
	Common shares/ participation securities	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumulated other comprehensive income	Total shareholder's equity	Non-controlling interests	
2012 (CHF million)								
Balance at beginning of period	4,400	24,813	12,328	0	(11,155)	30,386	8,948	39,334
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	252	–	–	–	252	(90)	162
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(875)	(875)
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	240	240
Net income/(loss)	–	–	1,041	–	–	1,041	344	1,385
Total other comprehensive income/(loss), net of tax	–	–	–	–	(992)	(992)	(238)	(1,230)
Share-based compensation, net of tax	–	889	–	–	–	889	–	889
Dividends on share-based compensation, net of tax	–	(50)	–	–	–	(50)	–	(50)
Dividends paid	–	–	(267)	–	–	(267)	(54)	(321)
Changes in redeemable noncontrolling interests	–	(7)	–	–	–	(7)	–	(7)
Changes in scope of consolidation, net	–	–	–	–	–	–	(96)	(96)
Other	–	3,468	(16)	–	–	3,452	–	3,452
Balance at end of period	4,400	29,365	13,086	0	(12,147)	34,704	8,179	42,883

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of cash flows

in	2014	2013	2012
Operating activities of continuing operations (CHF million)			
Net income	1,764	2,629	1,374
(Income)/loss from discontinued operations, net of tax	(102)	(145)	40
Income from continuing operations	1,662	2,484	1,414
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)			
Impairment, depreciation and amortization	1,276	1,337	1,264
Provision for credit losses	125	93	88
Deferred tax provision/(benefit)	619	658	(301)
Share of net income/(loss) from equity method investments	147	48	24
Trading assets and liabilities, net	(5,096)	10,427	(14,175)
(Increase)/decrease in other assets	6,483	(3,248)	(1,141)
Increase/(decrease) in other liabilities	(24,146)	10,134	(4,218)
Other, net	730	84	4,828
Total adjustments	(19,862)	19,533	(13,631)
Net cash provided by/(used in) operating activities of continuing operations	(18,200)	22,017	(12,217)
Investing activities of continuing operations (CHF million)			
(Increase)/decrease in interest-bearing deposits with banks	(727)	443	315
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	11,677	17,120	46,933
Purchase of investment securities	(1,060)	(676)	(276)
Proceeds from sale of investment securities	118	176	936
Maturities of investment securities	187	673	1,442
Investments in subsidiaries and other investments	(1,228)	(1,338)	(1,916)
Proceeds from sale of other investments	1,519	3,165	2,918
(Increase)/decrease in loans	(23,690)	(8,577)	(9,570)
Proceeds from sales of loans	1,255	1,483	1,090
Capital expenditures for premises and equipment and other intangible assets	(1,043)	(895)	(1,227)
Proceeds from sale of premises and equipment and other intangible assets	1	9	26
Other, net	601	115	3,676
Net cash provided by/(used in) investing activities of continuing operations	(12,390)	11,698	44,347

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statements of cash flows (continued)

in	2014	2013	2012
Financing activities of continuing operations (CHF million)			
Increase/(decrease) in due to banks and customer deposits	27,137	22,630	(14,005)
Increase/(decrease) in short-term borrowings	3,509	6,002	(11,643)
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(31,001)	(36,347)	(39,958)
Issuances of long-term debt	74,150	37,914	37,235
Repayments of long-term debt	(37,871)	(55,216)	(55,401)
Dividends paid	(84)	(483)	(321)
Excess tax benefits related to share-based compensation	0	0	42
Other, net	(488)	736	3,603
Net cash provided by/(used in) financing activities of continuing operations	35,352	(24,764)	(80,448)
Effect of exchange rate changes on cash and due from banks (CHF million)			
Effect of exchange rate changes on cash and due from banks	5,617	(1,219)	(1,184)
Net cash provided by/(used in) discontinued operations (CHF million)			
Net cash provided by/(used in) discontinued operations	(460)	(1,027)	(346)
Net increase/(decrease) in cash and due from banks (CHF million)			
Net increase/(decrease) in cash and due from banks	9,919	6,705	(49,848)
Cash and due from banks at beginning of period	68,081	61,376	111,224
Cash and due from banks at end of period	78,000	68,081	61,376

Supplemental cash flow information

in	2014	2013	2012
Cash paid for income taxes and interest (CHF million)			
Cash paid for income taxes	1,455	769	1,010
Cash paid for interest	9,419	11,686	14,920
Assets acquired and liabilities assumed in business acquisitions (CHF million)			
Fair value of assets acquired	143	4	2,418
Fair value of liabilities assumed	29	0	2,418
Assets and liabilities sold in business divestitures (CHF million)			
Assets sold	687	338	0
Liabilities sold	1,084	162	0

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

The accompanying consolidated financial statements of Credit Suisse 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.

In the fourth quarter of 2014, as part of an announced program to evolve the Bank's legal entity structure to meet developing and future regulatory requirements and regulation of the US Federal Reserve on establishing Intermediate Holding Companies in the US for non-US banks, several existing legal entities were re-parented as subsidiaries of Credit Suisse (USA), Inc. In the consolidated financial statements of the Bank, prior periods have been restated to conform to the current presentation to reflect the impact of these transactions.

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

In January 2014, the Bank completed the sale of its Customized Fund Investment Group (CFIG), its private equity fund of funds and co-investment business, to Grosvenor Capital Management and recognized a pre-tax gain on disposal of CHF 91 million in the first quarter 2014, net of allocated goodwill of CHF 23 million. As of December 31, 2013, CFIG had total assets of CHF 31 million that were held-for-sale. The Bank continued to hold investments in, and have unfunded commitments to, investment funds managed by CFIG. Grosvenor Capital Management is a company unrelated to the Bank.

In March 2014, the Bank completed the spin-off of DLJ Merchant Banking Partners, the Group's mid-market leveraged buy-out business, for no consideration to aPriori Capital Partners L.P., an independent advisory firm established and controlled by members of the business' management. The transaction was completed with no gain or loss from disposal and insignificant impact on net revenues, operating expenses and net income/(loss) from discontinued operations in 2014 and prior periods have not been restated. The Bank retained certain carried interest rights. aPriori Capital Partners L.P. is a company unrelated to the Bank.

In August 2014, the Bank completed the sale of its domestic private banking business booked in Germany (German private banking business) to Bethmann Bank AG, a subsidiary of ABN AMRO, and recognized a pre-tax gain on disposal of CHF 109 million in the third quarter 2014. As of June 30, 2014, the German private banking business had total assets and total liabilities of CHF 979 million and CHF 742 million, respectively, that were held-for-sale. Bethmann Bank AG and ABN AMRO are companies unrelated to the Bank.

► Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group for further information.

Assets held-for-sale

end of	2013
German private banking business (CHF million)	
Cash	960
Loans	575
Other assets	18
Total assets held-for-sale	1,553
CFIG (CHF million)	
Fees receivable	8
Goodwill	23
Total assets held-for-sale	31
Bank (CHF million)	
Total assets held-for-sale	1,584

Liabilities held-for-sale

end of	2013
German private banking business (CHF million)	
Deposits	1,118
Other liabilities	22
Total liabilities held-for-sale	1,140
Bank (CHF million)	
Total liabilities held-for-sale	1,140

Income/(loss) from discontinued operations

in	2014	2013	2012
Operations-related (CHF million)			
Net revenues	31	233	288
of which German private banking business	27	52	54
of which ETF business	–	29	53
of which Strategic Partners	–	33	60
of which CFG	0	114	116
Operating expenses	35	158	296
of which German private banking business	33	71	108
of which ETF business	–	23	49
of which Strategic Partners	–	8	38
of which CFG	0	51	88
Income tax expense/(benefit)	1	38	32
of which German private banking business	0	(6)	2
of which ETF business	–	5	2
of which Strategic Partners	–	10	15
of which CFG	0	29	16
Income/(loss), net of tax	(5)	37	(40)
of which German private banking business	(6)	(13)	(56)
of which ETF business	–	1	2
of which Strategic Partners	–	15	7
of which CFG	0	34	12
Transaction-related (CHF million)			
Gain on disposal	200	237	–
of which German private banking business	109	–	–
of which ETF business	–	146	–
of which Strategic Partners	–	91	–
of which CFG	91	–	–
Operating expenses	54	93	–
of which German private banking business	48	–	–
of which ETF business	–	11	–
of which Strategic Partners	–	22	–
of which CFG	0	56	–
Income tax expense/(benefit)	39	36	–
of which ETF business	–	21	–
of which Strategic Partners	–	40	–
of which CFG	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 CFG	49	(32)	–
Discontinued operations – total (CHF million)			
Income/(loss) from discontinued operations, net of tax	102	145	(40)
of which German private banking business	55	(13)	(56)
of which ETF business	–	115	2
of which Strategic Partners	–	44	7
of which CFG	49	2	12

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 Private Banking & Wealth Management. Income from continuing operations before taxes of these non-consolidated affiliate entities included in the segment presentation for the years ended December 31, 2014, 2013 and 2012 was CHF 264 million, CHF 243 million and CHF 237

million, respectively. For the same periods, net revenues of these non-consolidated affiliate entities included in the segment presentation were CHF 656 million, CHF 659 million and CHF 684 million, respectively, and total assets of these non-consolidated affiliate entities included in the segment presentation as of December 31, 2014 and 2013, were CHF 25.7 billion and CHF 25.4 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	2014	2013	2012
Net revenues (CHF million)			
Private Banking & Wealth Management	12,637	13,442	13,474
Investment Banking	12,515	12,565	12,558
Adjustments ^{1,2}	437	(693)	(3,056)
Net revenues	25,589	25,314	22,976
Income/(loss) before taxes (CHF million)			
Private Banking & Wealth Management	2,088	3,240	3,775
Investment Banking	1,830	1,719	2,002
Adjustments ^{1,3}	(957)	(1,305)	(3,998)
Income before taxes	2,961	3,654	1,779

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.

² Includes noncontrolling interest-related revenues of CHF 446 million, CHF 682 million and CHF 365 million in 2014, 2013 and 2012, respectively, from the consolidation of certain private equity funds and other entities in which the Bank does not have a significant economic interest in such revenues.

³ Includes noncontrolling interest income of CHF 413 million, CHF 635 million and CHF 307 million in 2014, 2013 and 2012, respectively, from the consolidation of certain private equity funds and other entities in which the Bank does not have a significant economic interest in such income.

Total assets

end of	2014	2013
Total assets (CHF million)		
Private Banking & Wealth Management	345,949	316,491
Investment Banking	529,044	519,712
Adjustments ¹	29,856	18,226
Total assets	904,849	854,429

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	2014	2013	2012
Net revenues (CHF million)			
Switzerland	7,585	7,479	7,968
EMEA	4,301	4,797	3,444
Americas	11,173	10,831	9,740
Asia Pacific	2,530	2,207	1,824
Net revenues	25,589	25,314	22,976
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	(179)	300	1,170
EMEA	(621)	195	(1,374)
Americas	3,723	3,301	2,820
Asia Pacific	38	(142)	(837)
Income from continuing operations before taxes	2,961	3,654	1,779

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	2014	2013
Total assets (CHF million)		
Switzerland	195,512	181,584
EMEA	187,921	194,825
Americas	428,195	398,144
Asia Pacific	93,221	79,876
Total assets	904,849	854,429

The designation of total assets by region is based upon customer domicile.

6 Net interest income

in	2014	2013	2012
Net interest income (CHF million)			
Loans	4,606	4,319	4,314
Investment securities	27	28	52
Trading assets	9,507	10,058	11,949
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	2,317	2,517	2,940
Other	2,128	2,095	2,284
Interest and dividend income	18,585	19,017	21,539
Deposits	(1,035)	(958)	(1,322)
Short-term borrowings	(119)	(67)	(71)
Trading liabilities	(3,938)	(5,083)	(6,833)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(1,042)	(1,155)	(1,676)
Long-term debt	(3,484)	(3,796)	(4,579)
Other	(290)	(248)	(276)
Interest expense	(9,908)	(11,307)	(14,757)
Net interest income	8,677	7,710	6,782

7 Commissions and fees

in	2014	2013	2012
Commissions and fees (CHF million)			
Lending business	1,711	1,774	1,474
Investment and portfolio management	3,630	3,854	3,624
Other securities business	94	101	136
Fiduciary business	3,724	3,955	3,760
Underwriting	1,911	1,681	1,561
Brokerage	3,669	3,901	3,654
Underwriting and brokerage	5,580	5,582	5,215
Other services	1,872	1,746	2,094
Commissions and fees	12,887	13,057	12,543

8 Trading revenues

in	2014	2013	2012
Trading revenues (CHF million)			
Interest rate products	5,661	1,048	2,705
Foreign exchange products	(4,405)	1,201	557
Equity/index-related products	273	952	112
Credit products	265	(879)	(3,306)
Commodity, emission and energy products	(228)	340	198
Other products	224	93	897
Total	1,790	2,755	1,163

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	2014	2013	2012
Other revenues (CHF million)			
Noncontrolling interests without significant economic interest	451	695	333
Loans held-for-sale	(4)	(5)	(37)
Long-lived assets held-for-sale	391	30	456
Equity method investments	239	240	134
Other investments	276	255	752
Other	882	577	850
Other revenues	2,235	1,792	2,488

10 Provision for credit losses

in	2014	2013	2012
Provision for credit losses (CHF million)			
Provision for loan losses	85	91	77
Provision for lending-related and other exposures	40	2	11
Provision for credit losses	125	93	88

11 Compensation and benefits

in	2014	2013	2012
Compensation and benefits (CHF million)			
Salaries and variable compensation	9,685	9,455	10,440
Social security	775	763	751
Other ¹	922	969	1,028
Compensation and benefits²	11,382	11,187	12,219

¹ Includes pension and other post-retirement expense of CHF 624 million, CHF 658 million and CHF 747 million in 2014, 2013 and 2012, respectively.

² Includes severance and other compensation expense relating to headcount reductions of CHF 274 million, CHF 216 million and CHF 427 million in 2014, 2013 and 2012, respectively.

► Refer to "Note 11 – Compensation and benefits" in V – Consolidated financial statements – Credit Suisse Group for further information.

12 General and administrative expenses

in	2014	2013	2012
General and administrative expenses (CHF million)			
Occupancy expenses	1,161	1,168	1,191
IT, machinery, etc.	1,436	1,508	1,456
Provisions and losses	2,782	2,136	682
Travel and entertainment	339	342	380
Professional services	2,338	1,912	1,868
Goodwill impairment	0	12	0
Amortization and impairment of other intangible assets	24	25	28
Other	1,493	1,551	1,600
General and administrative expenses	9,573	8,654	7,205

13 Securities borrowed, lent and subject to repurchase agreements

end of	2014	2013
Securities borrowed or purchased under agreements to resell (CHF million)		
Central bank funds sold and securities purchased under resale agreements	100,169	100,235
Deposits paid for securities borrowed	63,039	59,778
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	163,208	160,013
Securities lent or sold under agreements to repurchase (CHF million)		
Central bank funds purchased and securities sold under repurchase agreements	60,752	86,828
Deposits received for securities lent	9,367	7,204
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	70,119	94,032

► Refer to "Note 14 – Securities borrowed, lent and subject to repurchase agreements" in V – Consolidated financial statements – Credit Suisse Group for further information.

14 Trading assets and liabilities

end of	2014	2013
Trading assets (CHF million)		
Debt securities	94,405	110,115
Equity securities	94,493	76,835
Derivative instruments ¹	37,979	31,788
Other	14,436	11,000
Trading assets	241,313	229,738
Trading liabilities (CHF million)		
Short positions	35,799	40,162
Derivative instruments ¹	36,868	36,650
Trading liabilities	72,667	76,812

¹ Amounts shown net of cash collateral receivables and payables.

Cash collateral on derivative instruments

end of	2014	2013
Cash collateral – netted (CHF million)¹		
Cash collateral paid	33,716	23,870
Cash collateral received	28,505	20,586
Cash collateral – not netted (CHF million)²		
Cash collateral paid	10,909	8,359
Cash collateral received	16,776	11,664

¹ Recorded as cash collateral netting on derivative instruments in Note 25 – Offsetting of financial assets and financial liabilities.

² Recorded as cash collateral on derivative instruments in Note 21 – Other assets and other liabilities.

15 Investment securities

end of	2014	2013
Investment securities (CHF million)		
Securities available-for-sale	2,379	1,627
Total investment securities	2,379	1,627

Investment securities by type

end of	2014				2013			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
2014 (CHF million)								
Debt securities issued by foreign governments	1,919	43	0	1,962	1,136	29	1	1,164
Corporate debt securities	309	0	0	309	262	0	0	262
Collateralized debt obligations	0	0	0	0	100	0	0	100
Debt securities available-for-sale	2,228	43	0	2,271	1,498	29	1	1,526
Banks, trust and insurance companies	72	25	0	97	74	18	0	92
Industry and all other	11	0	0	11	9	0	0	9
Equity securities available-for-sale	83	25	0	108	83	18	0	101
Securities available-for-sale	2,311	68	0	2,379	1,581	47	1	1,627

Gross unrealized losses on investment securities and the related fair value

end of	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
2013 (CHF million)						
Debt securities issued by foreign governments	89	1	0	0	89	1
Debt securities available-for-sale	89	1	0	0	89	1

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	2014		2013		2012	
	Debt securities	Equity securities	Debt securities	Equity securities	Debt securities	Equity securities
Additional information (CHF million)						
Proceeds from sales	103	15	163	13	294	642
Realized gains	0	1	7	1	14	294
Realized losses	0	0	0	0	(2)	0

Amortized cost, fair value and average yield of debt securities

end of	Debt securities available-for-sale		
	Amortized cost	Fair value	Average yield (in %)
2014 (CHF million)			
Due within 1 year	850	859	2.22
Due from 1 to 5 years	1,378	1,412	0.75
Total debt securities	2,228	2,271	1.31

16 Other investments

end of	2014	2013
Other investments (CHF million)		
Equity method investments ¹	3,397	2,008
Non-marketable equity securities ^{1,2}	2,667	5,988
Real estate held for investment	507	557
Life finance instruments ³	1,896	1,654
Total other investments	8,467	10,207

¹ As a result of the prospective adoption of ASU 2013-8, CHF 1,033 million of non-marketable equity securities were reclassified to equity method investments for which the fair value option was elected on January 1, 2014.

² Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Bank has neither significant influence nor control over the investee.

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 33 – 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 10 million, CHF 48 million and CHF 13 million were recorded in 2014, 2013 and 2012, respectively.

Accumulated depreciation related to real estate held for investment amounted to CHF 304 million, CHF 289 million and CHF 280 million for 2014, 2013 and 2012, respectively.

► Refer to "Note 17 – Other investments" in V – Consolidated financial statements – Credit Suisse Group for further information.

17 Loans, allowance for loan losses and credit quality

end of	2014	2013
Loans (CHF million)		
Mortgages	84,527	81,115
Loans collateralized by securities	39,712	31,472
Consumer finance	1,582	3,025
Consumer	125,821	115,612
Real estate	26,279	24,673
Commercial and industrial loans	72,191	60,375
Financial institutions	28,654	28,473
Governments and public institutions	3,746	2,864
Corporate & institutional	130,870	116,385
Gross loans	256,691	231,997
of which held at amortized cost	233,778	212,540
of which held at fair value	22,913	19,457
Net (unearned income)/deferred expenses	(166)	(149)
Allowance for loan losses	(597)	(691)
Net loans	255,928	231,157
Gross loans by location (CHF million)		
Switzerland	139,211	135,813
Foreign	117,480	96,184
Gross loans	256,691	231,997
Impaired loan portfolio (CHF million)		
Non-performing loans	564	659
Non-interest-earning loans	257	255
Total non-performing and non-interest-earning loans	821	914
Restructured loans	171	6
Potential problem loans	140	274
Total other impaired loans	311	280
Gross impaired loans	1,132	1,194

Allowance for loan losses

	2014			2013			2012		
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Allowance for loan losses (CHF million)									
Balance at beginning of period	134	557	691	143	578	721	159	563	722
Changes in scope of consolidation	0	0	0	0	(1)	(1)	(18)	0	(18)
Net movements recognized in statements of operations	7	78	85	7	84	91	26	51	77
Gross write-offs	(35)	(232)	(267)	(38)	(147)	(185)	(42)	(80)	(122)
Recoveries	12	24	36	20	30	50	19	20	39
Net write-offs	(23)	(208)	(231)	(18)	(117)	(135)	(23)	(60)	(83)
Provisions for interest	3	19	22	5	20	25	4	20	24
Foreign currency translation impact and other adjustments, net	10	20	30	(3)	(7)	(10)	(5)	4	(1)
Balance at end of period	131	466	597	134	557	691	143	578	721
of which individually evaluated for impairment	104	309	413	104	407	511	116	416	532
of which collectively evaluated for impairment	27	157	184	30	150	180	27	162	189
Gross loans held at amortized cost (CHF million)									
Balance at end of period	125,804	107,974	233,778	115,601	96,939	212,540	109,495	98,118	207,613
of which individually evaluated for impairment ¹	393	739	1,132	354	840	1,194	422	976	1,398
of which collectively evaluated for impairment	125,411	107,235	232,646	115,247	96,099	211,346	109,073	97,142	206,215

¹ Represents gross impaired loans both with and without a specific allowance.

Purchases, reclassifications and sales

in	2014			2013			2012		
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Loans held at amortized cost (CHF million)									
Purchases ¹	181	4,127	4,308	0	4,611	4,611	348	4,605	4,953
Reclassifications from loans held-for-sale ²	0	397	397	0	275	275	0	216	216
Reclassifications to loans held-for-sale ³	1,055	806	1,861	0	996	996	0	1,323	1,323
Sales ³	0	272	272	0	698	698	0	1,058	1,058

¹ Includes drawdowns under purchased loan commitments.

² Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.

³ All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

Gross loans held at amortized cost by internal counterparty rating

end of	Investment	Non-investment		Total
	grade	grade		
	Ratings AAA to BBB	Ratings BB to C	Rating D	
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
2013 (CHF million)				
Mortgages	68,132	12,820	163	81,115
Loans collateralized by securities	29,180	2,198	94	31,472
Consumer finance	2,575	354	85	3,014
Consumer	99,887	15,372	342	115,601
Real estate	18,148	6,010	69	24,227
Commercial and industrial loans	22,863	25,306	596	48,765
Financial institutions	19,327	3,227	112	22,666
Governments and public institutions	839	442	0	1,281
Corporate & institutional	61,177	34,985	777	96,939
Gross loans held at amortized cost	161,064	50,357	1,119	212,540
Value of collateral ¹	141,338	40,850	514	182,702

¹ Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, collateral values are generally values at the time of granting the loan.

In the third quarter of 2014, Group credit risk management enhanced its internal credit rating methodology for lombard loans on the Swiss platform across all loan classes by considering the quality and diversification of collateral securities as a basis for determining the internal risk rating both for regulatory and financial

reporting purposes. The change in the internal rating methodology for lombard loans on the Swiss platform did not have a significant impact on the Bank's total investment grade and non-investment grade loans.

Gross loans held at amortized cost – aging analysis

end of	Current				Past due		Total	Total
		Up to 30 days	31-60 days	61-90 days	More than 90 days			
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	
2013 (CHF million)								
Mortgages	80,823	103	25	24	140	292	81,115	
Loans collateralized by securities	31,272	95	2	12	91	200	31,472	
Consumer finance	2,650	277	38	28	21	364	3,014	
Consumer	114,745	475	65	64	252	856	115,601	
Real estate	24,139	18	2	1	67	88	24,227	
Commercial and industrial loans	48,035	272	73	72	313	730	48,765	
Financial institutions	22,477	84	2	1	102	189	22,666	
Governments and public institutions	1,276	5	0	0	0	5	1,281	
Corporate & institutional	95,927	379	77	74	482	1,012	96,939	
Gross loans held at amortized cost	210,672	854	142	138	734	1,868	212,540	

Gross impaired loans by category

end of	Non-performing and non-interest earning loans			Other impaired loans			Total
	Non-performing loans	Non-interest-earning loans	Total	Restructured loans	Potential problem loans	Total	
2014 (CHF million)							
Mortgages	166	17	183	4	23	27	210
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
2013 (CHF million)							
Mortgages	144	7	151	0	21	21	172
Loans collateralized by securities	20	71	91	0	5	5	96
Consumer finance	81	5	86	0	0	0	86
Consumer	245	83	328	0	26	26	354
Real estate	52	13	65	0	5	5	70
Commercial and industrial loans	291	126	417	6	215	221	638
Financial institutions	71	33	104	0	28	28	132
Corporate & institutional	414	172	586	6	248	254	840
Gross impaired loans	659	255	914	6	274	280	1,194

As of December 31, 2014 and 2013, loans held-to-maturity carried at amortized cost did not include any subprime residential mortgages. Accordingly, impaired loans did not include any subprime residential mortgages. As of December 31, 2014 and 2013, the 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	2014			2013		
	Recorded investment	Unpaid principal balance	Associated specific allowance	Recorded investment	Unpaid principal balance	Associated specific allowance
Gross impaired loan detail (CHF million)						
Mortgages	166	154	19	162	153	16
Loans collateralized by securities	63	60	53	67	63	54
Consumer finance	88	87	32	68	67	34
Consumer	317	301	104	297	283	104
Real estate	65	62	7	68	63	13
Commercial and industrial loans	533	507	230	629	584	312
Financial institutions	125	120	72	131	127	82
Corporate & institutional	723	689	309	828	774	407
Gross impaired loans with a specific allowance	1,040	990	413	1,125	1,057	511
Mortgages	44	43	–	10	10	–
Loans collateralized by securities	25	25	–	29	29	–
Consumer finance	7	7	–	18	18	–
Consumer	76	75	–	57	57	–
Real estate	8	7	–	2	2	–
Commercial and industrial loans	7	7	–	9	9	–
Financial institutions	1	1	–	1	1	–
Corporate & institutional	16	15	–	12	12	–
Gross impaired loans without specific allowance	92	90	–	69	69	–
Gross impaired loans	1,132	1,080	413	1,194	1,126	511
of which consumer	393	376	104	354	340	104
of which corporate & institutional	739	704	309	840	786	407

Gross impaired loan details (continued)

in	2014			2013			2012		
	Average recorded investment	Interest income recognized	Interest income recognized on a cash basis	Average recorded investment	Interest income recognized	Interest income recognized on a cash basis	Average recorded investment	Interest income recognized	Interest income recognized on a cash basis
Gross impaired loan detail (CHF million)									
Mortgages	163	1	1	154	1	1	152	1	1
Loans collateralized by securities	65	0	0	70	2	2	68	1	0
Consumer finance	81	1	1	87	0	0	117	3	3
Consumer	309	2	2	311	3	3	337	5	4
Real estate	74	0	0	67	1	1	43	0	0
Commercial and industrial loans	597	3	2	669	5	5	556	3	2
Financial institutions	127	0	0	136	0	0	191	2	2
Governments and public institutions	5	0	0	0	0	0	6	0	0
Corporate & institutional	803	3	2	872	6	6	796	5	4
Gross impaired loans with a specific allowance	1,112	5	4	1,183	9	9	1,133	10	8
Mortgages	30	0	0	19	0	0	27	0	0
Loans collateralized by securities	29	0	0	27	0	0	8	0	0
Consumer finance	21	0	0	22	0	0	41	0	0
Consumer	80	0	0	68	0	0	76	0	0
Real estate	9	0	0	11	0	0	12	0	0
Commercial and industrial loans	17	0	0	58	0	0	199	3	3
Financial institutions	0	0	0	2	0	0	8	0	0
Corporate & institutional	26	0	0	71	0	0	219	3	3
Gross impaired loans without specific allowance	106	0	0	139	0	0	295	3	3
Gross impaired loans	1,218	5	4	1,322	9	9	1,428	13	11
of which consumer	389	2	2	379	3	3	413	5	4
of which corporate & institutional	829	3	2	943	6	6	1,015	8	7

Restructured loans held at amortized cost

in	2014			2013			2012		
	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	4	4	0	0	0	0	0	0
Consumer finance	0	0	0	1	1	0	0	0	0
Commercial and industrial loans	10	290	238	5	27	25	0	0	0
Total	11	294	242	6	28	25	0	0	0

In 2014, a majority of the loan modifications of the Bank included interest rate reductions to rates lower than the current market rate for new loans with similar risk, partially in combination with extended repayment terms and/or amended collateral terms. Certain restructurings included a reduction of the principal loan balance and/or accrued interest.

In 2014, 2013 and 2012, the Bank did not experience a default on any loan which had been restructured within the previous 12 months.

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

18 Premises and equipment

end of	2014	2013
Premises and equipment (CHF million)		
Buildings and improvements	2,087	2,201
Land	396	466
Leasehold improvements	2,162	2,031
Software	6,476	5,734
Equipment	2,304	2,288
Premises and equipment	13,425	12,720
Accumulated depreciation	(8,984)	(7,825)
Total premises and equipment, net	4,441	4,895

Depreciation and impairment

in	2014	2013	2012
CHF million			
Depreciation	1,224	1,227	1,218
Impairment	23	65	17

19 Goodwill

end of	2014						2013
	Private Banking & Wealth Management	Investment Banking	Credit Suisse (Bank)	Private Banking & Wealth Management	Investment Banking	Credit Suisse (Bank)	
Gross amount of goodwill (CHF million)							
Balance at beginning of period	1,978	5,237	7,215	2,210	5,382	7,592	
Goodwill acquired during the year	22	0	22	3	0	3	
Discontinued operations	0	0	0	(127)	0	(127)	
Foreign currency translation impact	162	499	661	(72)	(141)	(213)	
Other	(34)	(4)	(38)	(36)	(4)	(40)	
Balance at end of period	2,128	5,732	7,860	1,978	5,237	7,215	
Accumulated impairment (CHF million)							
Balance at beginning of period	12	82	94	0	82	82	
Impairment losses	0	0	0	12	0	12	
Balance at end of period	12	82	94	12	82	94	
Net book value (CHF million)							
Net book value	2,116	5,650	7,766	1,966	5,155	7,121	

► Refer to "Note 20 – Goodwill" in V – Consolidated financial statements – Credit Suisse Group for further information.

20 Other intangible assets

end of	2014						2013
	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	(24)	3	25	(21)	4	
Client relationships	201	(92)	109	222	(106)	116	
Other	11	(3)	8	7	(1)	6	
Total amortizing other intangible assets	239	(119)	120	254	(128)	126	
Non-amortizing other intangible assets	129	–	129	84	–	84	
of which mortgage servicing rights, at fair value	70	–	70	42	–	42	
Total other intangible assets	368	(119)	249	338	(128)	210	

Additional information

in	2014	2013	2012
Aggregate amortization and impairment (CHF million)			
Aggregate amortization	22	24	28
Impairment	1	8	0
of which related to discontinued operations	0	7	0

Estimated amortization

Estimated amortization (CHF million)

2015	23
2016	22
2017	22
2018	22
2019	5

► Refer to "Note 21 – Other intangible assets" in V – Consolidated financial statements – Credit Suisse Group for further information.

21 Other assets and other liabilities

end of	2014	2013
Other assets (CHF million)		
Cash collateral on derivative instruments	10,909	8,359
Cash collateral on non-derivative transactions	3,238	1,412
Derivative instruments used for hedging	1,539	2,062
Assets held-for-sale	26,544	19,306
of which loans ¹	25,911	18,914
of which real estate	535	392
of which long-lived assets	98	0
Assets held for separate accounts	5,650	11,236
Interest and fees receivable	6,229	4,838
Deferred tax assets	6,064	6,176
Prepaid expenses	511	568
Failed purchases	3,138	2,365
Other	6,689	5,245
Other assets	70,511	61,567
Other liabilities (CHF million)		
Cash collateral on derivative instruments	16,776	11,664
Cash collateral on non-derivative transactions	797	955
Derivative instruments used for hedging	469	384
Provisions ²	1,347	2,630
of which off-balance sheet risk	102	59
Liabilities held for separate accounts	5,650	11,236
Interest and fees payable	6,465	5,576
Current tax liabilities	782	820
Deferred tax liabilities	33	80
Failed sales	1,313	2,396
Other	17,016	15,359
Other liabilities	50,648	51,100

¹ Included as of December 31, 2014 and 2013 were CHF 1,103 million and CHF 1,778 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 226 million and CHF 769 million, respectively, in loans held in trusts, which are consolidated as a result of failed sales under US GAAP.

² Includes provisions for bridge commitments.

22 Deposits

end of	2014			2013		
	Switzer-land	Foreign	Total	Switzer-land	Foreign	Total
Deposits (CHF million)						
Non-interest-bearing demand deposits	5,941	4,582	10,523	4,735	4,336	9,071
Interest-bearing demand deposits	131,858	32,297	164,155	137,274	26,996	164,270
Savings deposits	69,204	29	69,233	55,637	26	55,663
Time deposits	18,187	121,977	140,164 ¹	14,655	101,166	115,821 ¹
Total deposits	225,190	158,885	384,075 ²	212,301	132,524	344,825 ²
of which due to banks	–	–	26,506	–	–	23,147
of which customer deposits	–	–	357,569	–	–	321,678

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 140,057 million and CHF 115,792 million as of December 31, 2014 and 2013, 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, 2014 and 2013 were CHF 10 million and CHF 18 million, respectively, of overdrawn deposits reclassified as loans.

23 Long-term debt

end of	2014	2013
Long-term debt (CHF million)		
Senior	135,196	91,384
Subordinated	24,299	22,365
Non-recourse liabilities from consolidated VIEs	13,452	12,992
Long-term debt	172,947	126,741
of which reported at fair value	80,260	62,462
of which structured notes	50,469	34,817

Structured notes by product

end of	2014	2013
Structured notes (CHF million)		
Equity	35,309	22,607
Fixed income	8,321	6,455
Credit	5,244	5,016
Other	1,595	739
Total structured notes	50,469	34,817

Long-term debt by maturities

end of	2015	2016	2017	2018	2019	Thereafter	Total
Long-term debt (CHF million)							
Senior debt							
Fixed rate	13,298	4,130	12,846	3,944	14,600	17,780	66,598
Variable rate	14,694	15,656	8,404	5,904	9,873	14,067	68,598
Interest rates (range in %) ¹	0.0–12.6	0.2–12.6	0.1–12.4	0.4–3.8	0.0–7.3	0.0–8.2	–
Subordinated debt							
Fixed rate	447	1	175	10,349	0	12,992	23,964
Variable rate	76	30	50	0	179	0	335
Interest rates (range in %) ¹	0.6–10.3	0.3	0.9–7.0	0.1–13.2	0.3	0.1–8.5	–
Non-recourse liabilities from consolidated VIEs							
Fixed rate	442	84	16	0	0	154	696
Variable rate	201	110	141	0	46	12,258	12,756
Interest rates (range in %) ¹	0.0–13.2	0.0–5.4	4.0	–	0.0–3.0	0.0–10.8	–
Total long-term debt	29,158	20,011	21,632	20,197	24,698	57,251	172,947
of which structured notes	10,542	10,240	5,534	5,881	6,048	12,224	50,469

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 24 – Long-term debt" in V – Consolidated financial statements
– Credit Suisse Group for further information.

24 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
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	(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	(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)
2012 (CHF million)						
Balance at beginning of period	0	(10,526)	96	(729)	4	(11,155)
Increase/(decrease)	7	(1,058)	199	3	0	(849)
Reclassification adjustments, included in net income	0	44	(242)	56	(1)	(143)
Total increase/(decrease)	7	(1,014)	(43)	59	(1)	(992)
Balance at end of period	7	(11,540)	53	(670)	3	(12,147)

Details of significant reclassification adjustments

in	2014	2013
Reclassification adjustments, included in net income (CHF million)		
Cumulative translation adjustments		
Sale of subsidiaries	0	83 ¹
Actuarial gains/(losses)		
Amortization of recognized actuarial losses ²	62	92
Tax expense/(benefit)	(18)	(34)
Net of tax	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 29 – Pension and other post-retirement benefits" for further information.

25 Offsetting of financial assets and financial liabilities

► Refer to "Note 26 – Offsetting of financial assets and financial liabilities" in V – Consolidated financial statements – Credit Suisse Group for further information.

Offsetting of derivatives

end of	2014		2013	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Gross derivatives subject to enforceable master netting agreements (CHF billion)				
OTC-cleared	257.8	250.1	265.3	262.0
OTC	213.6	210.3	183.1	178.0
Exchange-traded	0.1	0.0	0.1	0.2
Interest rate products	471.5	460.4	448.5	440.2
OTC	86.9	99.0	58.5	68.2
Exchange-traded	0.1	0.2	0.1	0.2
Foreign exchange products	87.0	99.2	58.6	68.4
OTC	14.8	15.3	15.5	18.6
Exchange-traded	12.4	14.0	14.8	15.1
Equity/index-related products	27.2	29.3	30.3	33.7
OTC-cleared	6.3	6.1	5.2	5.1
OTC	20.0	19.5	20.8	21.2
Credit derivatives	26.3	25.6	26.0	26.3
OTC	8.6	8.7	4.4	4.1
Exchange-traded	0.4	0.4	0.6	0.5
Other products	9.0	9.1	5.0	4.6
OTC-cleared	264.1	256.2	270.5	267.1
OTC	343.9	352.8	282.3	290.1
Exchange-traded	13.0	14.6	15.6	16.0
Total gross derivatives subject to enforceable master netting agreements	621.0	623.6	568.4	573.2
Offsetting (CHF billion)				
OTC-cleared	(261.7)	(255.8)	(269.1)	(267.0)
OTC	(316.7)	(326.4)	(260.6)	(265.5)
Exchange-traded	(11.9)	(13.1)	(15.1)	(15.1)
Offsetting	(590.3)	(595.3)	(544.8)	(547.6)
of which counterparty netting	(561.6)	(561.6)	(523.7)	(523.7)
of which cash collateral netting	(28.7)	(33.7)	(21.1)	(23.9)
Net derivatives presented in the consolidated balance sheets (CHF billion)				
OTC-cleared	2.4	0.4	1.4	0.1
OTC	27.2	26.4	21.7	24.6
Exchange-traded	1.1	1.5	0.5	0.9
Total net derivatives subject to enforceable master netting agreements	30.7	28.3	23.6	25.6
Total derivatives not subject to enforceable master netting agreements ¹	8.8	9.1	10.3	11.4
Total net derivatives presented in the consolidated balance sheets	39.5	37.4	33.9	37.0
of which recorded in trading assets and trading liabilities	38.0	36.9	31.8	36.6
of which recorded in other assets and other liabilities	1.5	0.5	2.1	0.4

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	2014						2013
	Gross	Offsetting	Net	Gross	Offsetting	Net	
Securities purchased under resale agreements and securities borrowing transactions (CHF billion)							
Securities purchased under resale agreements	119.3	(28.0)	91.3	112.0	(25.1)	86.9	
Securities borrowing transactions	27.8	(6.9)	20.9	22.7	(1.7)	21.0	
Total subject to enforceable master netting agreements	147.1	(34.9)	112.2	134.7	(26.8)	107.9	
Total not subject to enforceable master netting agreements¹	51.0	–	51.0	52.1	–	52.1	
Total	198.1	(34.9)	163.2²	186.8	(26.8)	160.0²	

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 104,283 million and CHF 96,587 million of the total net amount as of December 31, 2014 and December 31, 2013, respectively, are reported at fair value.

Offsetting of securities sold under repurchase agreements and securities lending transactions

end of	2014						2013
	Gross	Offsetting	Net	Gross	Offsetting	Net	
Securities sold under repurchase agreements and securities lending transactions (CHF billion)							
Securities sold under repurchase agreements	69.9	(31.9)	38.0	86.5	(26.8)	59.7	
Securities lending transactions	10.8	(3.0)	7.8	6.6	0.0	6.6	
Obligation to return securities received as collateral, at fair value	18.8	0.0	18.8	18.5	0.0	18.5	
Total subject to enforceable master netting agreements	99.5	(34.9)	64.6	111.6	(26.8)	84.8	
Total not subject to enforceable master netting agreements¹	32.4	–	32.4	32.0	–	32.0	
Total	131.9	(34.9)	97.0	143.6	(26.8)	116.8	
of which securities sold under repurchase agreements and securities lending transactions	105.0	(34.9)	70.1 ²	120.8	(26.8)	94.0 ²	
of which obligation to return securities received as collateral, at fair value	26.9	0.0	26.9	22.8	0.0	22.8	

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 54,732 million and CHF 76,104 million of the total net amount as of December 31, 2014 and December 31, 2013, respectively, are reported at fair value.

Amounts not offset in the consolidated balance sheets

end of	2014								2013
	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	30.7	6.5	0.1	24.1	23.6	4.9	0.1	18.6	
Securities purchased under resale agreements	91.3	91.3	0.0	0.0	86.9	86.9	0.0	0.0	
Securities borrowing transactions	20.9	20.3	0.0	0.6	21.0	20.2	0.0	0.8	
Total financial assets subject to enforceable master netting agreements	142.9	118.1	0.1	24.7	131.5	112.0	0.1	19.4	
Financial liabilities subject to enforceable master netting agreements (CHF billion)									
Derivatives	28.3	8.5	0.0	19.8	25.6	9.9	0.0	15.7	
Securities sold under repurchase agreements	38.0	38.0	0.0	0.0	59.7	59.7	0.0	0.0	
Securities lending transactions	7.8	7.6	0.0	0.2	6.6	6.2	0.0	0.4	
Obligation to return securities received as collateral, at fair value	18.8	18.1	0.0	0.7	18.5	17.5	0.0	1.0	
Total financial liabilities subject to enforceable master netting agreements	92.9	72.2	0.0	20.7	110.4	93.3	0.0	17.1	

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.

26 Tax

Details of current and deferred taxes

in	2014	2013	2012
Current and deferred taxes (CHF million)			
Switzerland	56	(52)	85
Foreign	624	564	581
Current income tax expense	680	512	666
Switzerland	(384)	(15)	(121)
Foreign	1,003	673	(180)
Deferred income tax expense/(benefit)	619	658	(301)
Income tax expense	1,299	1,170	365
Income tax expense/(benefit) on discontinued operations	40	75	31
Income tax expense/(benefit) reported in shareholder's equity related to:			
Gains/(losses) on cash flow hedges	4	1	0
Cumulative translation adjustment	(117)	44	(12)
Unrealized gains/(losses) on securities	7	(8)	(1)
Actuarial gains/(losses)	(27)	99	30
Net prior service cost	9	0	(2)
Share-based compensation and treasury shares	68	1	(53)

Reconciliation of taxes computed at the Swiss statutory rate

in	2014	2013	2012
Income/(loss) from continuing operations before taxes (CHF million)			
Switzerland	(179)	300	1,170
Foreign	3,140	3,354	609
Income from continuing operations before taxes	2,961	3,654	1,779
Reconciliation of taxes computed at the Swiss statutory rate (CHF million)			
Income tax expense computed at the statutory tax rate of 22%	651	804	391
Increase/(decrease) in income taxes resulting from			
Foreign tax rate differential	347	248	67
Non-deductible amortization of other intangible assets and goodwill impairment	6	25	0
Other non-deductible expenses	666	493	382
Additional taxable income	2	(5)	6
Lower taxed income	(265)	(374)	(413)
Income taxable to noncontrolling interests	(173)	(297)	57
Changes in tax law and rates	151	184	182
Changes in deferred tax valuation allowance	1,071	381	10
Change in recognition of outside basis difference	(450)	0	0
Tax deductible impairments of Swiss subsidiary investments	(555)	(268)	(161)
Other	(152)	(21)	(156)
Income tax expense	1,299	1,170	365

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.

2012

Foreign tax rate differential of CHF 67 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 401 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 382 million included non-deductible interest expenses of CHF 259 million, non-taxable offshore expenses of CHF 8 million, non-deductible bank levy costs and other non-deductible compensation expenses of CHF 57 million and other various smaller non-deductible expenses.

Lower taxed income of CHF 413 million included a Swiss income tax benefit of CHF 114 million as a result of foreign branch earnings beneficially impacting the earnings mix. In addition, 2012 included a tax benefit of CHF 48 million related to non-taxable life insurance income, CHF 29 million related to exempt offshore income, CHF 40 million in respect of non-taxable dividend income, CHF 11 million related to non-taxable foreign exchange gains and CHF 100 million related to tax credits. The remaining balance included various smaller items, amongst others related to permanent tax benefits from tax deductible goodwill amortization and tax holidays.

Changes in tax law and rates of CHF 182 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 10 million included an increase to the valuation allowance of CHF 834 million in respect of five of the Bank's operating entities, three in Europe and two in Asia, mainly relating to deferred tax assets on current year tax losses and pre-existing loss carry-forwards. Additionally, 2012 included a tax benefit of CHF 820 million resulting from the release of valuation allowances on deferred tax assets for one of the Bank's operating entities in the US.

Other of CHF 156 million included a tax benefit of CHF 48 million relating to the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to such pre-existing deferred tax assets. Also included was a benefit of CHF 70 million relating to return to accrual adjustments following the close of a tax audit cycle and the impact of the closure of an advanced pricing agreement and CHF 43 million relating to the release of tax contingency accruals following the favorable resolution of tax matters.

As of December 31, 2014, the Bank had accumulated undistributed earnings from foreign subsidiaries of CHF 5.4 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.

Details of the tax effect of temporary differences

end of	2014	2013
Tax effect of temporary differences (CHF million)		
Compensation and benefits	2,361	2,106
Loans	231	363
Investment securities	882	1,651
Provisions	1,658	1,874
Derivatives	119	136
Real estate	277	240
Net operating loss carry-forwards	6,232	4,432
Other	95	186
Gross deferred tax assets before valuation allowance	11,855	10,988
Less valuation allowance	(4,107)	(2,704)
Gross deferred tax assets net of valuation allowance	7,748	8,284
Compensation and benefits	(164)	(120)
Loans	(40)	(109)
Investment securities	(611)	(1,089)
Provisions	(447)	(396)
Business combinations	(1)	0
Derivatives	(168)	(193)
Leasing	(23)	(53)
Real estate	(62)	(75)
Other	(201)	(153)
Gross deferred tax liabilities	(1,717)	(2,188)
Net deferred tax assets	6,031	6,096

The decrease in net deferred tax assets from 2013 to 2014 of CHF 65 million was primarily due to the impact of taxable income in 2014, decreasing deferred tax assets by CHF 588 million and the recognition of a valuation allowance against deferred tax assets, mainly in the UK, of CHF 662 million. In addition, the decrease reflected a write-down of deferred tax assets of CHF 151 million as a result of changes to the corporation tax law in New York. These decreases were partially offset by an increase in net deferred tax asset balances of total CHF 799 million following a re-measurement of deferred tax balances in Switzerland and the release of valuation allowances in Spain, 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 90 million and foreign exchange translation gains of CHF 447 million, which are included within the currency translation adjustments recorded in accumulated other comprehensive income/(loss) (AOCI).

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 4.1 billion as of December 31, 2014 compared to CHF 2.7 billion as of December 31, 2013.

Amounts and expiration dates of net operating loss carry-forwards

end of 2014	Total
Net operating loss carry-forwards (CHF million)	
Due to expire within 1 year	48
Due to expire within 2 to 5 years	12,881
Due to expire within 6 to 10 years	2,428
Due to expire within 11 to 20 years	3,756
Amount due to expire	19,113
Amount not due to expire	15,475
Total net operating loss carry-forwards	34,588

Movements in the valuation allowance

in	2014	2013	2012
Movements in the valuation allowance (CHF million)			
Balance at beginning of period	2,704	2,550	2,689
Net changes	1,403	154	(139)
Balance at end of period	4,107	2,704	2,550

Uncertain tax positions

Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

in	2014	2013	2012
Movements in gross unrecognized tax benefits (CHF million)			
Balance at beginning of period	416	416	370
Increases in unrecognized tax benefits as a result of tax positions taken during a prior period	2	4	33
Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	(47)	(8)	(58)
Increases in unrecognized tax benefits as a result of tax positions taken during the current period	37	43	38
Decreases in unrecognized tax benefits relating to settlements with tax authorities	(10)	0	(4)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(24)	(5)	(43)
Other (including foreign currency translation)	8	(34)	80
Balance at end of period	382	416	416
of which, if recognized, would affect the effective tax rate	382	410	410

Interest and penalties

in	2014	2013	2012
Interest and penalties (CHF million)			
Interest and penalties recognized in the consolidated statements of operations	21	6	(13)
Interest and penalties recognized in the consolidated balance sheets	85	64	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

Tax benefits associated with share-based compensation

in	2014	2013	2012
Tax benefits associated with share-based compensation (CHF million)			
Tax benefits recorded in the consolidated statements of operations ¹	506	481	596
Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital	(69)	(24)	30
Tax benefits in respect of tax on dividend equivalent payments	1	22	12

¹ Calculated at the statutory tax rate before valuation allowance considerations.

► Refer to "Note 27 – Employee deferred compensation" for further information on share-based compensation.

Windfall deductions and dividend equivalents aggregating CHF 1.1 billion and CHF 0.9 billion for 2014 and 2013, 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 229 million tax benefit will be recorded in additional paid-in capital.

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 57 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: Switzerland – 2010; Brazil – 2009; Japan – 2009; the UK – 2006; the US – 2006; and the Netherlands – 2005.

► Refer to "Note 27 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information.

27 Employee deferred compensation

Deferred compensation for employees

► Refer to "Note 28 – 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 2014 and prior years that was recognized in the consolidated statements of operations during 2014, 2013 and 2012, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2014 and prior years outstanding as of December 31, 2014 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized.

Deferred compensation expense

in	2014	2013	2012
Deferred compensation expense (CHF million)			
Share awards	935	806	773
Performance share awards	610	580	362
Contingent Capital Awards	213	–	–
Capital Opportunity Facility awards	13	–	–
Plus Bond awards ¹	36	37	–
2011 Partner Asset Facility awards ²	7	77	675
Adjustable Performance Plan share awards ³	0	30	71
Adjustable Performance Plan cash awards ³	0	4	281
Restricted Cash Awards	92	145	165
Scaled Incentive Share Units ³	(3)	38	95
Incentive Share Units ⁴	0	(3)	62
2008 Partner Asset Facility awards ⁵	87	93	173
Other cash awards	394	430	363
Discontinued operations	(8)	(21)	(23)
Total deferred compensation expense	2,376	2,216	2,997
Total shares delivered (million)			
Total shares delivered	36.5	32.6	30.9

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	2014
Estimated unrecognized compensation expense (CHF million)	
Share awards	759
Performance share awards	229
Contingent Capital Awards	210
Capital Opportunity Facility awards	5
Plus Bond awards	4
Restricted Cash Awards	41
Other cash awards	158
Total	1,406
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 2015 for 2014.

Share awards

On January 16, 2015, the Bank granted 36.9 million share awards with a total value of CHF 636 million. The estimated unrecognized compensation expense of CHF 638 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. On January 16, 2014 and January 17, 2013, the Bank granted 30.1 million and 37.8 million share awards with a total value of CHF 824 million and CHF 947 million, respectively.

On January 16, 2015, the Bank granted 1.5 million blocked shares with a total value of CHF 35 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2014. On January 16, 2014 and January 17, 2013, the Bank granted 0.5 million and 0.1 million blocked shares with a total value of CHF 15 million and CHF 3 million, respectively.

Share award activities

	2014		2013		2012	
	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	72.2	30.07	55.1	34.27	47.6	41.91
Granted	37.3	27.60	40.0	26.43	24.5	23.39
Settled	(29.1)	30.41	(19.6)	34.12	(14.6)	40.43
Forfeited	(3.9)	32.24	(3.3)	32.04	(2.4)	36.96
Balance at end of period	76.5	28.63	72.2	30.07	55.1	34.27
of which vested	6.1	–	5.8	–	3.9	–
of which unvested	70.4	–	66.4	–	51.2	–

Performance share awards

On January 16, 2015, the Bank granted 30.3 million performance share awards with a total value of CHF 523 million. The estimated unrecognized compensation expense of CHF 527 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. On January 16, 2014, and January 17, 2013, the Bank granted 23.9 million and 26.0 million performance share awards with a total value of CHF 654 million and CHF 651 million, respectively.

Performance share award activities

	2014		2013		2012	
	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	40.7	25.51	22.9	23.90	–	–
Granted	24.0	28.13	26.2	26.44	23.3	23.90
Settled	(15.8)	25.27	(7.5)	23.90	0.0	0.00
Forfeited	(1.4)	26.28	(0.9)	24.92	(0.4)	23.90
Balance at end of period	47.5	26.89	40.7	25.51	22.9	23.90
of which vested	3.2	–	2.7	–	0.9	–
of which unvested	44.3	–	38.0	–	22.0	–

Contingent Capital Awards

On January 16, 2015, the Bank awarded CHF 355 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 413 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. On January 16, 2014, the Bank awarded CHF 391 million of CCA.

2011 Partner Asset Facility

In January 2012, the Bank awarded 2011 Partner Asset Facility (PAF2) units with a fair value of CHF 497 million and the associated compensation expenses were fully expensed in the first quarter of 2012, as the awards were fully vested as of March 31, 2012.

Adjustable Performance Plan Awards

In July 2012, the Bank 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. Adjustable Performance Plan holders elected to convert CHF 479 million of their Adjustable Performance Plan cash awards into the new Adjustable Performance Plan share awards during the election period, which represented an approximate conversion rate of 50%.

Upon conversion, CHF 435 million of the liability related to Adjustable Performance Plan cash awards that were converted into the Adjustable Performance Plan share awards were reclassified to total shareholder's equity.

Adjustable Performance Plan share award activities

	Number of APP share awards in million		
	2014	2013	2012
Adjustable Performance Plan share awards			
Balance at beginning of period	14.0	29.7	–
Granted	0.8 ¹	1.1 ¹	29.9
Settled	(7.3)	(16.5)	0.0
Forfeited	(0.4)	(0.3)	(0.2)
Balance at end of period	7.1	14.0	29.7
of which vested	1.1	1.2	0.3
of which unvested	6.0	12.8	29.4

¹ Represents additional units earned in the first quarter of 2014 and 2013 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

Scaled Incentive Share Unit

Scaled Incentive Share Unit activities

	2014	2013	2012
SISU awards (million)			
Balance at beginning of period	4.6	9.4	14.4
Settled	(4.5)	(4.7)	(4.8)
Forfeited	(0.1)	(0.1)	(0.2)
Balance at end of period	0.0	4.6	9.4
of which vested	0.0	1.2	1.7
of which unvested	0.0	3.4	7.7

Incentive Share Unit

Incentive Share Unit activities

	2014	2013	2012
ISU awards (million)			
Balance at beginning of period	1.2	3.6	13.2
Settled	(0.1)	(1.8)	(8.7)
Forfeited	(0.5)	(0.6)	(0.9)
Balance at end of period	0.6	1.2	3.6
of which vested	0.1	0.1	0.4
of which unvested	0.5	1.1	3.2

28 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 29 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information.

Related party assets and liabilities

end of	2014	2013
Assets (CHF million)		
Cash and due from banks	2	0
Interest-bearing deposits with banks	2,862	1,870
Trading assets	220	159
Net loans	6,453	6,770
Other assets	27	28
Total assets	9,564	8,827
Liabilities (CHF million)		
Due to banks/customer deposits	1,916	2,329
Trading liabilities	15	12
Long-term debt	4,042	3,791
Other liabilities	224	199
Total liabilities	6,197	6,331

Related party revenues and expenses

in	2014	2013	2012
Revenues (CHF million)			
Interest and dividend income	70	45	50
Interest expense	(223)	(55)	(76)
Net interest income	(153)	(10)	(26)
Commissions and fees	(11)	(21)	1
Other revenues	178	172	174
Net revenues	14	141	149
Expenses (CHF million)			
Total operating expenses	165	288	271

Related party guarantees

end of	2014	2013
Guarantees (CHF million)		
Credit guarantees and similar instruments	1	0
Performance guarantees and similar instruments	1	1
Total guarantees	2	1

Executive Board and Board of Directors loans

	2014	2013	2012
Loans to members of the Executive Board (CHF million)			
Balance at beginning of period	10¹	8	22
Additions	3	4	3
Reductions	(8)	(2)	(17)
Balance at end of period	5¹	10	8
Loans to members of the Board of Directors (CHF million)			
Balance at beginning of period	55²	41	33
Additions	6	16	13
Reductions	(45)	(2)	(5)
Balance at end of period	16²	55	41

¹ The number of individuals with outstanding loans at the beginning and the end of the year was four and two, respectively.

² The number of individuals with outstanding loans at the beginning and the end of the year was five and three, respectively.

Liabilities due to own pension funds

Liabilities due to the Bank's own defined benefit pension funds as of December 31, 2014 and 2013 of CHF 3,131 million and CHF 2,852 million, respectively, were reflected in various liability accounts in the Bank's consolidated balance sheets.

29 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 2014, 2013 and 2012, the Bank contributed to these plans and recognized as expense CHF 181 million, CHF 178 million and CHF 219 million, respectively.

► Refer to "Note 30 – 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 30 – 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 2014, 2013 and 2012, the Bank contributed and recognized as expense CHF 415 million, CHF 390 million and CHF 458 million to the Group plan, respectively. The Bank expects to contribute CHF 359 million to the Group plan during 2015. 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 2014, 2013 and 2012 would have been lower by CHF 277 million, CHF 131 million and CHF 197 million, respectively, and the Bank would have recognized CHF 48 million, CHF 158 million and CHF 88 million, respectively, as amortization of actuarial losses and prior service cost for the Group plan.

As of December 31, 2014 and 2013, the ABO of the Group plan was CHF 15.1 billion and CHF 13.0 billion, the PBO was CHF 15.7 billion and CHF 13.5 billion and the fair value of plan assets was CHF 15.6 billion and CHF 14.9 billion, respectively. As of December 31, 2014 and 2013, the Group plan was overfunded on an ABO basis by CHF 525 million and CHF 1,869 million, respectively. On a PBO basis, the Group plan was underfunded by CHF 26 million and overfunded by CHF 1,439 million as of December 31, 2014 and 2013, 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 25 million as a liability as of December 31, 2014 and the overfunding of CHF 1,367 million as an asset as of December 31, 2013 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 30 – 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

in	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans		
	2014	2013	2012	2014	2013	2012
Total benefit costs (CHF million)						
Service costs on benefit obligation	19	24	30	0	0	1
Interest costs on benefit obligation	134	122	127	7	8	8
Expected return on plan assets	(178)	(161)	(164)	0	0	0
Amortization of recognized prior service cost/(credit)	0	0	(1)	(9)	0	(2)
Amortization of recognized actuarial losses/(gains)	52	79	74	9	13	13
Net periodic benefit costs	27	64	66	7	21	20
Settlement losses/(gains)	(2)	0	0	0	0	0
Total benefit costs	25	64	66	7	21	20

Total benefit costs reflected in compensation and benefits – other for 2014, 2013 and 2012 were CHF 32 million, CHF 85 million and CHF 86 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

in / end of	International single-employer defined benefit pension plans		Other post-retirement defined benefit plans	
	2014	2013	2014	2013
PBO (CHF million) ¹				
Beginning of the measurement period	2,843	2,773	168	180
Service cost	19	24	0	0
Interest cost	134	122	7	8
Plan amendments	0	0	(32)	0
Settlements	(4)	(4)	0	0
Curtailments	0	(2)	0	0
Special termination benefits	1	1	0	0
Actuarial losses/(gains)	463	69	25	(8)
Benefit payments	(109)	(97)	(8)	(8)
Exchange rate losses/(gains)	192	(43)	18	(4)
End of the measurement period	3,539	2,843	178	168
Fair value of plan assets (CHF million)				
Beginning of the measurement period	3,007	2,893	0	0
Actual return on plan assets	637	183	0	0
Employer contributions	135	67	8	8
Settlements	(2)	(4)	0	0
Benefit payments	(109)	(97)	(8)	(8)
Exchange rate gains/(losses)	208	(35)	0	0
End of the measurement period	3,876	3,007	0	0
Total funded status recognized (CHF million)				
Funded status of the plan – over/(underfunded)	337	164	(178)	(168)
Funded status recognized in the consolidated balance sheet as of December 31	337	164	(178)	(168)
Total amount recognized (CHF million)				
Noncurrent assets	822	520	0	0
Current liabilities	(8)	(8)	(10)	(8)
Noncurrent liabilities	(477)	(348)	(168)	(160)
Total amount recognized in the consolidated balance sheet as of December 31	337	164	(178)	(168)
ABO (CHF million) ²				
End of the measurement period	3,469	2,785	178	168

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, 2014 and 2013 was an overfunding of CHF 159 million and an underfunding of CHF 4 million, respectively.

In 2014 and 2013, the Bank made contributions of CHF 135 million and CHF 67 million, respectively, to the international

single-employer defined benefit pension plans. In 2015, the Bank expects to contribute CHF 20 million to the international single-employer defined benefit pension plans and CHF 10 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, 2014 and 2013, respectively.

Defined benefit pension plans in which PBO or ABO exceeded plan assets

December 31	PBO exceeds fair value of plan assets ¹		ABO exceeds fair value of plan assets ¹	
	2014	2013	2014	2013
CHF million				
PBO	1,671	1,334	1,655	1,319
ABO	1,637	1,307	1,627	1,298
Fair value of plan assets	1,187	978	1,173	964

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

end of	International single-employer defined benefit pension plans		Other post-retirement defined benefit plans		Total	
	2014	2013	2014	2013	2014	2013
Amounts recognized in AOCI (CHF million)						
Actuarial gains/(losses)	(606)	(674)	(50)	(40)	(656)	(714)
Prior service credit/(cost)	0	0	17	3	17	3
Total	(606)	(674)	(33)	(37)	(639)	(711)

The following tables show the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2014 and 2013, 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 2015.

Amounts recognized in other comprehensive income

in	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans			Total net
	Gross	Tax	Net	Gross	Tax	Net	
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 amounts recognized in other comprehensive income	47	21	68	7	(3)	4	72
2013 (CHF million)							
Actuarial gains/(losses)	(47)	(62) ¹	(109)	8	(3)	5	(104)
Amortization of actuarial losses/(gains)	79	(29)	50	13	(5)	8	58
Immediate recognition due to curtailment/settlement	2	0	2	0	0	0	2
Total amounts recognized in other comprehensive income	34	(91)	(57)	21	(8)	13	(44)

¹ Includes the impact from the valuation allowance recognized on deferred tax assets on one of the Bank's entities in the UK, offsetting the tax benefit of CHF 37 million attributable to the UK pension plan.

Amounts in AOCI, net of tax, expected to be amortized in 2015

in 2015	International single-employer defined benefit pension plans	Other post-retirement defined benefit plans
CHF million		
Amortization of actuarial losses/(gains)	58	8
Amortization of prior service cost/(credit)	0	(13)
Total	58	(5)

Assumptions

Weighted-average assumptions used to determine net periodic benefit costs and benefit obligation

December 31	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans		
	2014	2013	2012	2014	2013	2012
Net periodic benefit cost (%)						
Discount rate	4.71	4.47	4.78	5.10	4.30	4.70
Salary increases	4.31	4.02	4.03	–	–	–
Expected long-term rate of return on plan assets	6.16	6.18	6.43	–	–	–
Benefit obligation (%)						
Discount rate	3.82	4.71	4.47	4.20	5.10	4.30
Salary increases	4.19	4.31	4.02	–	–	–

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 health care cost trend rates assumed and the sensitivity of a one percentage point increase or decrease of the rate.

Health care cost trend rates and sensitivity

in / end of	2014	2013	2012
Health care cost trend rate (%)			
Annual weighted-average health care cost trend rate ¹	8.00	8.00	9.00
Increase/(decrease) in post-retirement expenses (CHF million)			
One percentage point increase in health care cost trend rates	0.2	1.3	1.4
One percentage point decrease in health care cost trend rates	(0.3)	(1.0)	(1.1)
Increase/(decrease) in post-retirement benefit obligation (CHF million)			
One percentage point increase in health care cost trend rates	5	23	27
One percentage point decrease in health care cost trend rates	(4)	(19)	(22)

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 2021.

The annual health care cost trend rate used to determine the defined benefit cost for 2015 is 8.00%.

As of December 31, 2014 and 2013, no Group debt or equity securities were included in plan assets for the international single-employer defined benefit pension plans.

Plan assets and investment strategy

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

Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2014 and 2013, for the Bank's defined benefits plans.

Plan assets measured at fair value on a recurring basis

end of	2014				2013			
	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	191	88	0	279	66	333	0	399
Debt securities	189	1,590	267	2,046	335	1,017	177	1,529
of which governments	8	562	0	570	335	30	0	365
of which corporates	181	1,028	267	1,476	0	987	177	1,164
Equity securities	216	666	0	882	172	441	0	613
Real estate – indirect	0	0	117	117	0	0	94	94
Alternative investments	0	386	58	444	(23)	290	7	274
of which hedge funds	0	111	58	169	0	264	3	267
of which other	0	275	0	275	(23) ¹	26 ¹	4	7
Other investments	0	108	0	108	0	98	0	98
Total plan assets at fair value	596	2,838	442	3,876	550	2,179	278	3,007

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				Balance at end of period
				On assets still held at reporting date	On assets sold during the period	Purchases, sales, settlements	Foreign currency translation impact	
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
2013 (CHF million)								
Debt securities – corporates	71	1	(1)	5	0	103	(2)	177
Real estate – indirect	89	0	0	7	0	0	(2)	94
Alternative investments	34	2	0	(5)	7	(27)	(4)	7
of which private equity	4	0	0	(1)	0	(3)	0	0
of which hedge funds	30	2	0	(4)	3	(28)	0	3
of which other	0	0	0	0	4	4	(4)	4
Total plan assets at fair value	194	3	(1)	7	7	76	(8)	278

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	2014	2013
Weighted-average plan asset allocation (%)		
Cash and cash equivalents	7.2	13.3
Debt securities	52.7	50.7
Equity securities	22.8	20.4
Real estate	3.0	3.1
Alternative investments	11.5	9.2
Insurance	2.8	3.3
Total	100.0	100.0

The following table shows the target plan asset allocation for 2015 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 2015.

Weighted-average target plan asset allocation for 2015

2015 (%)	
Cash and cash equivalents	0.3
Debt securities	59.4
Equity securities	24.3
Real estate	2.8
Alternative investments	10.4
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)		
2015	79	10
2016	80	10
2017	86	11
2018	96	11
2019	109	12
For five years thereafter	700	59

30 Derivatives and hedging activities

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

forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

Hedge accounting

Cash flow hedges

As of the end of 2014, the maximum length of time over which the Bank hedged its exposure to the variability in future cash flows for

Fair value of derivative instruments

	Trading			Hedging ¹		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
end of 2014						
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 derivatives²	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 products³	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 of derivative instruments (continued)

end of 2013	Trading			Hedging ¹		
	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	9,366.2	2.5	2.6	0.0	0.0	0.0
Swaps	30,593.6	399.6	393.6	63.7	2.7	0.6
Options bought and sold (OTC)	3,889.5	44.3	44.9	0.0	0.0	0.0
Futures	830.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	705.9	0.3	0.2	0.0	0.0	0.0
Interest rate products	45,386.0	446.7	441.3	63.7	2.7	0.6
Forwards	2,098.6	21.6	21.5	30.5	0.3	0.1
Swaps	1,382.8	28.9	39.2	0.0	0.0	0.0
Options bought and sold (OTC)	815.6	10.7	11.6	9.4	0.0	0.0
Futures	48.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	5.5	0.1	0.2	0.0	0.0	0.0
Foreign exchange products	4,351.3	61.3	72.5	39.9	0.3	0.1
Forwards	4.0	0.7	0.1	0.0	0.0	0.0
Swaps	236.1	5.4	8.0	0.0	0.0	0.0
Options bought and sold (OTC)	225.7	12.4	12.1	0.0	0.0	0.0
Futures	50.6	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	416.2	17.0	17.2	0.0	0.0	0.0
Equity/index-related products	932.6	35.5	37.4	0.0	0.0	0.0
Credit derivatives²	1,483.3	26.8	27.2	0.0	0.0	0.0
Forwards	19.2	0.7	1.1	0.0	0.0	0.0
Swaps	45.5	2.9	2.5	0.0	0.0	0.0
Options bought and sold (OTC)	35.1	1.1	1.0	0.0	0.0	0.0
Futures	31.1	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	48.9	0.7	0.9	0.0	0.0	0.0
Other products³	179.8	5.4	5.5	0.0	0.0	0.0
Total derivative instruments	52,333.0	575.7	583.9	103.6	3.0	0.7

The notional amount, PRV and NRV (trading and hedging) was CHF 52,436.6 billion, CHF 578.7 billion and CHF 584.6 billion, respectively, as of December 31, 2013.

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	2014	2013	2012
Gains/(losses) recognized in income on derivatives (CHF million)			
Interest rate products	(142)	378	849
Foreign exchange products	3	(9)	(13)
Total	(139)	369	836
Gains/(losses) recognized in income on hedged items (CHF million)			
Interest rate products	136	(375)	(894)
Foreign exchange products	(3)	9	13
Total	133	(366)	(881)
Details of fair value hedges (CHF million)			
Net gains/(losses) on the ineffective portion	(6)	3	(45)

Represents gains/(losses) recognized in trading revenues.

Cash flow hedges

in	2014	2013	2012
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Interest rate products	40	7	8
Foreign exchange products	(47)	0	0
Total	(7)	7	8
Gains/(losses) reclassified from AOCI into income (CHF million)			
Interest rate products ¹	21	3	0
Foreign exchange products ²	(5)	0	0
Total	16	3	0
Details of cash flow hedges (CHF million)			
Net gains on the ineffective portion ¹	(1)	1	0

¹ Included in trading revenues.

² 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 28 million.

Contingent credit risk

end of	2014								2013
	Bilateral counterparties	Special purpose entities	Accelerated terminations	Total	Bilateral counterparties	Special purpose entities	Accelerated terminations	Total	
Contingent credit risk (CHF billion)									
Current net exposure	14.0	0.8	0.3	15.1	11.7	1.1	0.1	12.9	
Collateral posted	12.2	0.9	–	13.1	10.6	1.2	–	11.8	
Additional collateral required in a one-notch downgrade event	0.7	0.5	0.1	1.3	0.6	0.8	0.0	1.4	
Additional collateral required in a two-notch downgrade event	2.2	0.8	0.2	3.2	2.3	1.1	0.0	3.4	

Credit derivatives

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

Net investment hedges

in	2014	2013	2012
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Foreign exchange products	(1,672)	504	(81)
Total	(1,672)	504	(81)
Gains/(losses) reclassified from AOCI into income (CHF million)			
Foreign exchange products ¹	0	2	75
Total	0	2	75

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 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.

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 12.6 billion

and CHF 7.4 billion as of December 31, 2014 and 2013, 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	2014										2013
	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	(266.5)	254.0	(12.5)	32.7	4.5	(305.9)	287.9	(18.0)	37.7	5.2	
Non-investment grade	(103.9)	99.9	(4.0)	13.5	0.1	(108.7)	104.9	(3.8)	10.5	2.5	
Total single-name instruments	(370.4)	353.9	(16.5)	46.2	4.6	(414.6)	392.8	(21.8)	48.2	7.7	
of which sovereign	(76.2)	73.0	(3.2)	8.6	(1.1)	(88.1)	85.0	(3.1)	8.9	(0.4)	
of which non-sovereign	(294.2)	280.9	(13.3)	37.6	5.7	(326.5)	307.8	(18.7)	39.3	8.1	
Multi-name instruments (CHF billion)											
Investment grade ²	(162.2)	159.9	(2.3)	56.2	2.2	(219.1)	212.1	(7.0)	47.3	3.3	
Non-investment grade	(53.4)	51.1 ³	(2.3)	12.1	1.0	(65.0)	59.0 ³	(6.0)	13.5	1.5	
Total multi-name instruments	(215.6)	211.0	(4.6)	68.3	3.2	(284.1)	271.1	(13.0)	60.8	4.8	
of which sovereign	(7.3)	7.2	(0.1)	1.1	0.0	(10.8)	10.9	0.1	1.1	0.0	
of which non-sovereign	(208.3)	203.8	(4.5)	67.2	3.2	(273.3)	260.2	(13.1)	59.7	4.8	
Total instruments (CHF billion)											
Investment grade ²	(428.7)	413.9	(14.8)	88.9	6.7	(525.0)	500.0	(25.0)	85.0	8.5	
Non-investment grade	(157.3)	151.0	(6.3)	25.6	1.1	(173.7)	163.9	(9.8)	24.0	4.0	
Total instruments	(586.0)	564.9	(21.1)	114.5	7.8	(698.7)	663.9	(34.8)	109.0	12.5	
of which sovereign	(83.5)	80.2	(3.3)	9.7	(1.1)	(98.9)	95.9	(3.0)	10.0	(0.4)	
of which non-sovereign	(502.5)	484.7	(17.8)	104.8	8.9	(599.8)	568.0	(31.8)	99.0	12.9	

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	2014	2013
Credit derivatives (CHF billion)		
Credit protection sold	586.0	698.7
Credit protection purchased	564.9	663.9
Other protection purchased	114.5	109.0
Other instruments ¹	22.1	11.7
Total credit derivatives	1,287.5	1,483.3

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
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
2013 (CHF billion)				
Single-name instruments	91.2	281.4	42.0	414.6
Multi-name instruments	19.2	208.2	56.7	284.1
Total instruments	110.4	489.6	98.7	698.7

31 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
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
2013 (CHF million)								
Credit guarantees and similar instruments ⁴	2,682	621	336	569	4,208	4,060	14	2,330
Performance guarantees and similar instruments	4,819	1,932	982	135	7,868	6,946	103	3,277
Securities lending indemnifications	11,479	0	0	0	11,479	11,479	0	11,479
Derivatives ²	18,247	9,544	1,959	1,900	31,650	31,650	715	– ³
Other guarantees	3,894	811	193	193	5,091	5,068	3	2,606
Total guarantees	41,121	12,908	3,470	2,797	60,296	59,203	835	19,692

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.

⁴ Prior period has been corrected.

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, 2014 to June 30, 2015 is CHF 0.5 billion. These deposit insurance guarantees were reflected in other guarantees.

► Refer to "Note 32 – 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 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 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

With respect to its outstanding repurchase claims, the Bank is unable to estimate reasonably possible losses in excess of the amounts accrued because of the heterogeneity of its portfolio, the complexity of legal and factual determinations related to each claim, the limited amount of discovery and/or other factors.

The following tables present the total amount of residential mortgage loans sold during the period from January 1, 2004 to December 31, 2014 by counterparty type and the development of outstanding repurchase claims and provisions for outstanding repurchase claims in 2014 and 2013, including realized losses from the repurchase of residential mortgage loans sold.

Residential mortgage loans sold

January 1, 2004 to December 31, 2014 (USD billion)

Government-sponsored enterprises	8.2
Private investors ¹	26.2
Non-agency securitizations	137.3 ²
Total	171.7

¹ Primarily banks.

² The outstanding balance of residential mortgage loans sold was USD 26.3 billion as of December 31, 2014. The difference of the total balance of mortgage loans sold and the outstanding balance as of December 31, 2014 was attributable to borrower payments of USD 91.5 billion and losses of USD 19.5 billion due to loan defaults.

Residential mortgage loans sold – outstanding repurchase claims

	2014							2013
	Government-sponsored enterprises	Private investors	Non-agency securitizations	Total	Government-sponsored enterprises	Private investors	Non-agency securitizations	Total
Outstanding repurchase claims (USD million)								
Balance at beginning of period	77	420	83	580	67	464	1,395	1,926
New claims	11	2	1,607	1,620	69	139	1,039	1,247
Claims settled through repurchases	0	0	0	0	(4)	(1)	(2)	(7) ¹
Other settlements	(58)	(416)	(5)	(479) ²	(31)	(178)	(7)	(216) ²
Total claims settled	(58)	(416)	(5)	(479)	(35)	(179)	(9)	(223)
Claims rescinded	(17)	0	0	(17)	(24)	(4)	0	(28)
Transfers to/from arbitration and litigation, net ³	0	(2)	(1,602)	(1,604)	0	0	(2,342) ⁴	(2,342)
Balance at end of period	13	4	83	100	77	420	83	580

¹ Settled at a repurchase price of USD 6 million.

² Settled at USD 66 million and USD 48 million in 2014 and 2013, respectively.

³ Refer to "Note 36 – Litigation" for repurchase claims that are in arbitration or litigation.

⁴ Transfers to arbitration and litigation disclosed in 2013 include portfolios of claims of approximately USD 0.3 billion for which formal legal proceedings had commenced in prior periods.

Provisions for outstanding repurchase claims

	2014	2013
Provisions for outstanding repurchase claims (USD million)¹		
Balance at beginning of period	146	55
Increase/(decrease) in provisions, net	(74)	145
Realized losses ²	(66) ⁴	(54) ³
Balance at end of period	6⁵	146³

¹ Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 36 – Litigation" for further information.

² Includes indemnifications paid to resolve loan repurchase claims.

³ Primarily related to government-sponsored enterprises and private investors.

⁴ Primarily related to private investors.

⁵ Primarily related to non-agency securitizations.

Lease commitments

Lease commitments (CHF million)	
2015	571
2016	532
2017	497
2018	478
2019	454
Thereafter	3,940
Future operating lease commitments	6,472
Less minimum non-cancellable sublease rentals	231
Total net future minimum lease commitments	6,241

Rental expense for operating leases

in	2014	2013	2012
Rental expense for operating leases (CHF million)			
Minimum rental expense	572	642	629
Sublease rental income	(81)	(85)	(97)
Total net expenses for operating leases	491	557	532

Operating lease commitments

► Refer to "Note 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

Sale-leaseback transactions

There were no significant transactions in 2014.

In the first quarter of 2012, the Bank sold the office complex of its European headquarters at One Cabot Square in London to OCS Investment S.à.r.l. and leased back this property under an operating lease arrangement for 22 years, with two options to extend the lease by five years each. OCS Investment S.à.r.l. is a company wholly owned by the Qatar Investment Authority, which is a minority shareholder of the Group.

In the fourth quarter of 2012, the Bank sold the Uetlihof office complex in Zurich, the Bank's principal office building worldwide,

to Norges Bank, a minority shareholder of the Group, and leased back this property under an operating lease arrangement for 25 years, with the option to extend the lease by up to 15 years. Norges Bank, through its Investment Management unit, was acting as the buyer on behalf of the Norwegian Government Pension Fund Global.

During 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 ten years and between five and ten years, respectively. The total contractual rental expenses were 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
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
2013 (CHF million)							
Irrevocable commitments under documentary credits	5,478	27	1	0	5,506	5,446	3,380
Irrevocable loan commitments	27,154	26,852	35,326	7,483	96,815 ²	92,557	47,995
Forward reverse repurchase agreements	26,893	0	0	0	26,893	26,893	26,893
Other commitments	2,436	1,020	103	286	3,845	3,845	351
Total other commitments	61,961	27,899	35,430	7,769	133,059	128,741	78,619

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 97,608 million and CHF 87,161 million of unused credit limits as of December 31, 2014 and 2013, respectively, which were revocable at the Bank's sole discretion upon notice to the client.

► Refer to "Note 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

32 Transfers of financial assets and variable interest entities

Transfers of financial assets

Securitizations

► Refer to "Note 33 – Transfers of financial assets and variable interest entities" in V – Credit Suisse Group – Consolidated financial statements for further information.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2014, 2013 and 2012 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	2014	2013	2012
Gains and cash flows (CHF million)			
CMBS			
Net gain ¹	7	4	56
Proceeds from transfer of assets	5,335	5,574	6,156
Cash received on interests that continue to be held	102	70	57
RMBS			
Net gain/(loss) ¹	13	(8)	3
Proceeds from transfer of assets	22,728	24,523	15,143
Purchases of previously transferred financial assets or its underlying collateral	(4)	(10)	(25)
Servicing fees	2	4	3
Cash received on interests that continue to be held	444	486	554
Other asset-backed financings			
Net gain ¹	29	15	83
Proceeds from transfer of assets	1,819	915	591
Purchases of previously transferred financial assets or its underlying collateral ²	0	(213)	(621)
Cash received on interests that continue to be held	17	633	1,350

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 the end of 2014 and 2013, regardless of when the transfer of assets occurred.

Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

end of	2014	2013
CHF million		
CMBS		
Principal amount outstanding	41,216	37,308
Total assets of SPE	53,354	48,715
RMBS		
Principal amount outstanding	49,884	45,571
Total assets of SPE	50,017	48,741
Other asset-backed financings		
Principal amount outstanding	26,176	27,854
Total assets of SPE	26,176	27,854

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 33 – 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	2014		2013		2012	
	CMBS	RMBS	CMBS	RMBS	CMBS	RMBS
CHF million, except where indicated						
Fair value of beneficial interests	1,341	4,023	633	2,993	761	2,219
of which level 2	1,242	3,791	476	2,879	654	2,090
of which level 3	100	232	156	114	107	129
Weighted-average life, in years	4.1	7.7	7.3	7.7	8.4	5.0
Prepayment speed assumption (rate per annum), in % ¹	– ²	1.5–23.0	– ²	2.0–31.0	– ²	0.1–34.9
Cash flow discount rate (rate per annum), in % ³	1.0–11.0	1.9–17.8	1.6–11.6	0.0–45.9	0.8–10.7	0.1–25.7
Expected credit losses (rate per annum), in %	1.0–2.2	0.4–15.3	0.0–7.5	0.0–45.8	0.5–9.0	0.0–25.1

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.

Sensitivity analysis

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 2014 and 2013.

Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

end of	2014			2013		
	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	1,168	2,394	212	1,132	2,354	284
of which non-investment grade	79	246	146	26	359	204
Weighted-average life, in years	5.6	7.8	3.6	6.5	8.6	3.7
Prepayment speed assumption (rate per annum), in % ³	–	1.0–36.6	–	–	1.0–23.5	–
Impact on fair value from 10% adverse change	–	(29.2)	–	–	(26.6)	–
Impact on fair value from 20% adverse change	–	(56.4)	–	–	(48.6)	–
Cash flow discount rate (rate per annum), in % ⁴	1.6–22.3	1.7–44.0	0.3–21.2	1.1–37.1	1.7–22.4	1.0–23.1
Impact on fair value from 10% adverse change	(14.0)	(43.8)	(1.2)	(25.5)	(65.0)	(2.4)
Impact on fair value from 20% adverse change	(27.4)	(85.3)	(2.4)	(50.0)	(124.9)	(4.9)
Expected credit losses (rate per annum), in %	1.0–22.2	0.0–41.7	1.4–13.1	0.2–36.6	0.1–17.3	0.7–21.0
Impact on fair value from 10% adverse change	(7.1)	(25.3)	(0.4)	(10.9)	(42.2)	(0.4)
Impact on fair value from 20% adverse change	(14.0)	(49.4)	(0.7)	(21.5)	(79.6)	(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.

Secured borrowings

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 2014 and 2013.

Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

end of	2014	2013
CHF million		
CMBS		
Other assets	26	432
Liability to SPE, included in Other liabilities	(26)	(432)
Other asset-backed financings		
Trading assets	138	216
Other assets	252	157
Liability to SPE, included in Other liabilities	(390)	(373)

Variable interest entities

► Refer to "Note 33 – 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 overall average maturity of the conduit's outstanding CP was approximately 49 days and 19 days as of December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, Alpine had the highest short-term ratings from Moody's and Dominion Bond Rating Service and was rated A-1 by Standard & Poor's and F-1 by Fitch. The majority of Alpine's purchased assets were highly rated reverse repurchase agreements as well

as advance financing receivables, equipment loans or leases and aircraft loans. As of December 31, 2014 and 2013, those assets had an average rating of AA, based on the lowest of each asset's internal rating and, where available, external rating, and an average maturity of 1.8 years and 2.1 years as of December 31, 2014 and 2013, respectively. On February 6, 2015, Dominion Bond Rating Service lowered the short-term rating of Alpine from R-1 (high) (sf) to R-1 (middle) (sf).

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 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

end of	Financial intermediation						Total
	CDO	CP Conduit	Securizations	Funds	Loans	Other	
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
2013 (CHF million)							
Cash and due from banks	702	1	2	100	87	60	952
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	1,959	0	0	0	0	1,959
Trading assets	869	51	3	1,687	665	335	3,610
Investment securities	0	100	0	0	0	0	100
Other investments	0	0	0	0	1,491	492	1,983
Net loans	0	2,012	885	0	779	531	4,207
Premises and equipment	0	0	0	0	415	66	481
Other assets	7,516	1,473	3,353	0	307	1,680	14,329
of which loans held-for-sale	7,479	0	3,093	0	56	0	10,628
Total assets of consolidated VIEs	9,087	5,596	4,243	1,787	3,744	3,164	27,621
Customer deposits	0	0	0	0	0	265	265
Trading liabilities	9	0	0	0	8	76	93
Short-term borrowings	0	4,280	0	7	0	(1)	4,286
Long-term debt	9,067	17	3,187	179	93	449	12,992
Other liabilities	34	16	67	2	152	439	710
Total liabilities of consolidated VIEs	9,110	4,313	3,254	188	253	1,228	18,346

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

end of	Financial intermediation					Total
	CDO	Securi- tizations	Funds	Loans	Other	
2014 (CHF million)						
Trading assets	179	5,009	1,201	494	625	7,508
Net loans	211	2,252	3,113	1,651	1,544	8,771
Other assets	0	4	20	0	189	213
Total variable interest assets	390	7,265	4,334	2,145	2,358	16,492
Maximum exposure to loss	752	12,775	4,489	7,326	2,358	27,700
Non-consolidated VIE assets	8,604	120,157	56,413	38,818	12,170	236,162
2013 (CHF million)						
Trading assets	183	4,920	979	725	713	7,520
Net loans	2	613	2,712	2,856	1,282	7,465
Other assets	0	0	47	0	6	53
Total variable interest assets	185	5,533	3,738	3,581	2,001	15,038
Maximum exposure to loss	186	7,496	3,926	7,433	2,090	21,131
Non-consolidated VIE assets	10,211	101,524	55,509	31,144	8,525	206,913

33 Financial instruments

► Refer to "Note 34 – 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 2014	Level 1	Level 2	Level 3	Netting impact ¹	Total
Assets (CHF million)					
Cash and due from banks	0	304	0	0	304
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	104,206	77	0	104,283
Debt	121	781	0	0	902
of which corporates	0	745	0	0	745
Equity	25,908	44	0	0	25,952
Securities received as collateral	26,029	825	0	0	26,854
Debt	31,937	58,003	4,465	0	94,405
of which foreign governments	31,708	4,869	454	0	37,031
of which corporates	28	22,507	1,435	0	23,970
of which RMBS	0	22,150	612	0	22,762
of which CMBS	0	5,293	257	0	5,550
of which CDO	0	3,185	1,421	0	4,606
Equity	86,532	6,395	1,566	0	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	0	14,436
Trading assets	125,923	687,533	17,180	(589,323)	241,313
Debt	1,962	309	0	0	2,271
of which foreign governments	1,962	0	0	0	1,962
of which corporates	0	309	0	0	309
Equity	2	103	3	0	108
Investment securities	1,964	412	3	0	2,379
Private equity	0	0	1,268	0	1,268
of which equity funds	0	0	567	0	567
Hedge funds	0	219	314	0	533
of which debt funds	0	181	302	0	483
Other equity investments	77	75	1,855	0	2,007
of which private	0	70	1,855	0	1,925
Life finance instruments	0	0	1,834	0	1,834
Other investments	77	294	5,271	0	5,642
Loans	0	13,560	9,353	0	22,913
of which commercial and industrial loans	0	5,816	5,853	0	11,669
of which financial institutions	0	6,227	1,494	0	7,721
Other intangible assets (mortgage servicing rights)	0	0	70	0	70
Other assets	2,457	23,371	7,468	(975)	32,321
of which loans held-for-sale	0	16,107	6,851	0	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)	0	(1,029)
Less assets consolidated under ASU 2009-17 ²	0	(9,123)	(3,155)	0	(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	0	832
Customer deposits	0	3,151	100	0	3,251
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	54,732	0	0	54,732
Debt	121	781	0	0	902
of which corporates	0	745	0	0	745
Equity	25,908	44	0	0	25,952
Obligation to return securities received as collateral	26,029	825	0	0	26,854
Debt	11,678	4,914	1	0	16,593
of which foreign governments	11,530	757	0	0	12,287
of which corporates	21	3,917	1	0	3,939
Equity	19,075	122	2	0	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	0	3,861
Long-term debt	0	65,652	14,608	0	80,260
of which treasury debt over two years	0	8,616	0	0	8,616
of which structured notes over two years	0	31,083	10,267	0	41,350
of which non-recourse liabilities	0	10,126	2,952	0	13,078
Other liabilities	0	14,601	3,358	(1,026)	16,933
of which failed sales	0	652	616	0	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.

Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2013	Level 1	Level 2	Level 3	Netting impact ¹	Total
Assets (CHF million)					
Cash and due from banks	0	527	0	0	527
Interest-bearing deposits with banks	0	311	0	0	311
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	96,383	204	0	96,587
Debt	409	1,592	0	0	2,001
of which corporates	0	1,558	0	0	1,558
Equity	20,689	110	0	0	20,799
Securities received as collateral	21,098	1,702	0	0	22,800
Debt	41,829	63,217	5,069	0	110,115
of which foreign governments	40,199	6,980	230	0	47,409
of which corporates	14	24,267	2,128	0	26,409
of which RMBS	0	23,343	436	0	23,779
of which CMBS	0	5,255	417	0	5,672
of which CDO	0	3,305	1,567	0	4,872
Equity	70,463	5,777	595	0	76,835
Derivatives	6,610	563,957	5,217	(543,996)	31,788
of which interest rate products	1,065	444,207	1,574	–	–
of which foreign exchange products	8	60,846	484	–	–
of which equity/index-related products	5,278	28,941	1,240	–	–
of which credit derivatives	0	25,662	1,138	–	–
Other	3,690	4,481	2,829	0	11,000
Trading assets	122,592	637,432	13,710	(543,996)	229,738
Debt	1,164	362	0	0	1,526
of which foreign governments	1,162	2	0	0	1,164
of which corporates	0	262	0	0	262
of which CDO	0	100	0	0	100
Equity	1	98	2	0	101
Investment securities	1,165	460	2	0	1,627
Private equity	0	0	3,339	0	3,339
of which equity funds	0	0	2,230	0	2,230
Hedge funds	0	289	392	0	681
of which debt funds	0	174	329	0	503
Other equity investments	283	55	1,632	0	1,970
of which private	0	15	1,631	0	1,646
Life finance instruments	0	0	1,600	0	1,600
Other investments	283	344	6,963	0	7,590
Loans	0	11,459	7,998	0	19,457
of which commercial and industrial loans	0	6,302	5,309	0	11,611
of which financial institutions	0	4,484	1,322	0	5,806
Other intangible assets (mortgage servicing rights)	0	0	42	0	42
Other assets	4,861	21,426	6,159	(928)	31,518
of which loans held-for-sale	0	12,770	5,615	0	18,385
Total assets at fair value	149,999	770,044	35,078	(544,924)	410,197
Less other investments – equity at fair value attributable to noncontrolling interests	(246)	(149)	(2,781)	0	(3,176)
Less assets consolidated under ASU 2009-17 ²	0	(8,996)	(2,458)	0	(11,454)
Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework	149,753	760,899	29,839	(544,924)	395,567

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 2013	Level 1	Level 2	Level 3	Netting impact ¹	Total
Liabilities (CHF million)					
Due to banks	0	1,460	0	0	1,460
Customer deposits	0	3,186	55	0	3,241
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	75,990	114	0	76,104
Debt	409	1,592	0	0	2,001
of which corporates	0	1,558	0	0	1,558
Equity	20,689	110	0	0	20,799
Obligation to return securities received as collateral	21,098	1,702	0	0	22,800
Debt	19,037	5,312	2	0	24,351
of which foreign governments	18,863	603	0	0	19,466
of which corporates	1	4,134	2	0	4,137
Equity	15,476	309	17	0	15,802
Derivatives	5,879	572,658	5,545	(547,423)	36,659
of which interest rate products	896	439,502	1,129	–	–
of which foreign exchange products	14	71,588	938	–	–
of which equity/index-related products	4,691	30,800	1,896	–	–
of which credit derivatives	0	25,942	1,230	–	–
Trading liabilities	40,392	578,279	5,564	(547,423)	76,812
Short-term borrowings	0	5,888	165	0	6,053
Long-term debt	0	52,682	9,780	0	62,462
of which treasury debt over two years	0	9,081	0	0	9,081
of which structured notes over two years	0	20,680	6,217	0	26,897
of which non-recourse liabilities	0	9,509	2,552	0	12,061
Other liabilities	0	19,386	2,859	(274)	21,971
of which failed sales	0	638	1,143	0	1,781
Total liabilities at fair value	61,490	738,573	18,537	(547,697)	270,903

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	2014		2013	
	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		1,108	533	499
Equity		513	391	437
Derivatives		5,785	500	5,090
Trading assets		7,406	1,424	6,026
277				
Liabilities (CHF million)				
Debt		861	658	11
Equity		133	90	248
Derivatives		6,073	87	4,433
Trading liabilities		7,067	835	4,692
46				

Assets and liabilities measured at fair value on a recurring basis for level 3

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 ²	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.

² Includes unrealized losses recorded in trading revenues of CHF (22) million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

Sales	Issuances	Settlements	Trading revenues		Other revenues		Foreign currency translation impact	Balance at end of period
			On transfers in / out ¹	On all other	On transfers in / out ¹	On all other		
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

Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

2013	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	0	0	0	0
Debt	5,830	1,418	(1,977)	6,363
of which corporates	3,192	571	(552)	1,759
of which RMBS	724	467	(690)	1,012
of which CMBS	1,023	86	(310)	497
of which CDO	447	55	(357)	3,072
Equity	485	303	(237)	405
Derivatives	6,650	1,442	(2,208)	0
of which interest rate products	1,859	244	(363)	0
of which equity/index-related products	1,920	223	(1,020)	0
of which credit derivatives	1,294	923	(633)	0
Other	2,486	288	(487)	3,266
Trading assets	15,451	3,451	(4,909)	10,034
Investment securities	170	0	(230)	165
Equity	6,264	106	(63)	1,081
Life finance instruments	1,818	0	0	189
Other investments	8,082	106	(63)	1,270
Loans	6,619	320	(1,561)	800
of which commercial and industrial loans	4,778	305	(315)	727
of which financial institutions	1,530	15	(6)	71
Other intangible assets (mortgage servicing rights)	43	0	0	12
Other assets	5,164	3,552	(2,998)	4,781
of which loans held-for-sale	4,463	3,539	(2,918)	4,456
Total assets at fair value	35,529	7,429	(9,761)	17,062
Liabilities (CHF million)				
Customer deposits	25	0	0	0
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	0	0	0
Trading liabilities	5,356	1,503	(1,537)	66
of which interest rate derivatives	1,357	75	(134)	0
of which foreign exchange derivatives	1,648	13	(21)	0
of which equity/index-related derivatives	1,003	360	(676)	0
of which credit derivatives	819	1,001	(590)	0
Short-term borrowings	124	43	(99)	0
Long-term debt	10,098	2,322	(2,375)	0
of which structured notes over two years	6,189	453	(1,226)	0
of which non-recourse liabilities	2,551	1,836	(670)	0
Other liabilities	2,847	227	(149)	213
of which failed sales	1,160	176	(82)	154
Total liabilities at fair value	18,450	4,095	(4,160)	279
Net assets/(liabilities) at fair value	17,079	3,334	(5,601)	16,783

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.

Sales	Issuances	Settlements	Trading revenues		Other revenues		Foreign currency translation impact	Balance at end of period
			On transfers in / out ¹	On all other	On transfers in / out ¹	On all other		
0	362	(153)	0	4	0	0	(9)	204
(6,984)	0	0	165	465	0	0	(211)	5,069
(3,022)	0	0	109	157	0	0	(86)	2,128
(1,162)	0	0	11	91	0	0	(17)	436
(866)	0	0	(4)	15	0	0	(24)	417
(1,810)	0	0	36	197	0	0	(73)	1,567
(431)	0	0	20	68	(1)	0	(17)	595
0	1,766	(2,446)	230	(53)	0	0	(164)	5,217
0	279	(663)	8	249	0	0	(39)	1,574
0	207	(538)	184	330	0	0	(66)	1,240
0	627	(631)	38	(461)	0	0	(19)	1,138
(2,656)	0	(65)	8	83	0	0	(94)	2,829
(10,071)	1,766	(2,511)	423	563	(1)	0	(486)	13,710
(82)	0	0	0	9	0	0	(30)	2
(2,649)	0	0	0	(3)	0	776	(149)	5,363
(365)	0	0	0	1	0	0	(43)	1,600
(3,014)	0	0	0	(2)	0	776	(192)	6,963
(1,673)	6,767	(2,920)	0	(21)	0	0	(333)	7,998
(1,280)	3,541	(2,171)	1	(85)	0	0	(192)	5,309
(207)	651	(650)	0	(48)	0	0	(34)	1,322
0	0	0	0	0	0	(12)	(1)	42
(4,213)	1,034	(1,148)	5	199	0	0	(217)	6,159
(3,964)	1,034	(1,147)	5	348	0	0	(201)	5,615
(19,053)	9,929	(6,732)	428	752	(1)	764	(1,268)	35,078
0	51	(3)	0	(13)	0	0	(5)	55
0	119	0	0	0	0	0	(5)	114
(197)	1,561	(2,556)	235	1,302	0	0	(169)	5,564
0	107	(508)	10	254	0	0	(32)	1,129
0	15	(662)	(16)	(21)	0	0	(18)	938
0	632	(380)	210	831	0	0	(84)	1,896
0	655	(856)	39	186	0	0	(24)	1,230
0	318	(216)	0	3	0	0	(8)	165
0	5,006	(5,330)	25	321	0	(1)	(286)	9,780
0	3,602	(2,534)	(18)	(36)	0	(1)	(212)	6,217
0	818	(2,128)	24	151	0	0	(30)	2,552
(393)	10	(86)	(17)	70	26	217	(106)	2,859
(308)	0	0	0	72	0	0	(29)	1,143
(590)	7,065	(8,191)	243	1,683	26	216	(579)	18,537
(18,463)	2,864	1,459	185	(931)	(27)	548	(689)	16,541

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

in	2014			2013		
	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	1,698	170	1,868 ¹	(746)	521	(225) ¹
Whereof:					
Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date	(834)	23	(811)	(2,852)	245	(2,607)

¹ Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Quantitative information about level 3 assets at fair value

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
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 % ³	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

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.

³ Management's best estimate of the speed at which interest rates will revert to the long-term average.

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						
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	– ²	– ²	– ²	– ²	– ²
Hedge funds	314	– ²	– ²	– ²	– ²	– ²
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	– ²	– ²	– ²	– ²	– ²
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 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 2013	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	204	Discounted cash flow	Funding spread, in bp	90	350	178
Debt	5,069					
of which corporates	2,128					
of which	129	Option model	Correlation, in %	(83)	96	14
			Buyback probability, in % ²	50	100	62
of which	592	Market comparable	Price, in %	0	112	91
of which	807	Discounted cash flow	Credit spread, in bp	22	957	348
of which RMBS	436	Discounted cash flow	Discount rate, in %	2	33	9
			Prepayment rate, in %	0	27	7
			Default rate, in %	0	25	5
			Loss severity, in %	0	100	48
of which CMBS	417	Discounted cash flow	Capitalization rate, in %	5	12	9
			Discount rate, in %	1	30	9
			Prepayment rate, in %	0	20	10
			Default rate, in %	0	18	1
			Loss severity, in %	0	40	3
of which CDO	1,567					
of which	118	Vendor price	Price, in %	0	100	94
of which	278	Discounted cash flow	Discount rate, in %	2	24	6
			Prepayment rate, in %	0	30	7
			Default rate, in %	1	15	3
			Loss severity, in %	25	100	68
of which	423	Market comparable	Price, in %	85	101	98
Equity	595					
of which	270	Market comparable	EBITDA multiple	3	12	7
of which	35	Discounted cash flow	Capitalization rate, in %	7	7	7
			Discount rate, in %	15	15	15
Derivatives	5,217					
of which interest rate products	1,574	Option model	Correlation, in %	15	100	82
			Prepayment rate, in %	5	31	24
			Volatility, in %	2	31	6
			Volatility skew, in %	(9)	2	(1)
			Credit spread, in bp	95	2,054	218
of which equity/index-related products	1,240	Option model	Correlation, in %	(83)	96	14
			Volatility, in %	2	252	26
of which credit derivatives	1,138	Discounted cash flow	Credit spread, in bp	1	2,054	298
			Recovery rate, in %	0	77	25
			Discount rate, in %	4	29	14
			Default rate, in %	1	16	6
			Loss severity, in %	10	100	59
			Correlation, in %	34	97	83
			Prepayment rate, in %	0	17	5
Other	2,829					
of which	2,139	Market comparable	Price, in %	0	146	34
of which	589	Discounted cash flow	Market implied life expectancy, in years	3	19	9
Trading assets	13,710					

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 2013	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average ¹
CHF million, except where indicated						
Investment securities	2	–	–	–	–	–
Private equity	3,339	– ²	– ²	– ²	– ²	– ²
Hedge funds	392	– ²	– ²	– ²	– ²	– ²
Other equity investments	1,632					
of which private	1,631					
of which	384	Discounted cash flow	Credit spread, in bp	897	3,175	1,207
			Contingent probability, in %	59	59	59
of which	813	Market comparable	EBITDA multiple	1	10	8
			Market implied life expectancy, in years	1	21	9
Life finance instruments	1,600	Discounted cash flow				
Other investments	6,963					
Loans	7,998					
of which commercial and industrial loans	5,309					
of which	4,526	Discounted cash flow	Credit spread, in bp	50	2,488	504
of which	326	Market comparable	Price, in %	0	100	69
of which financial institutions	1,322	Discounted cash flow	Credit spread, in bp	98	884	302
Other intangible assets (mortgage servicing rights)	42	–	–	–	–	–
Other assets	6,159					
of which loans held-for-sale	5,615					
of which	1,954	Vendor price	Price, in %	0	160	99
of which	1,042	Discounted cash flow	Credit spread, in bp	75	2,389	467
			Recovery rate, in %	1	1	0
of which	2,420	Market comparable	Price, in %	0	105	59
Total level 3 assets at fair value	35,078					

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 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 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.

Quantitative information about level 3 liabilities at fair value (continued)

end of 2013	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average ¹
CHF million, except where indicated						
Customer deposits	55	–	–	–	–	–
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	114	Discounted cash flow	Funding spread, in bp	90	90	90
Trading liabilities	5,564					
of which interest rate derivatives	1,129	Option model	Basis spread, in bp	(5)	148	74
			Correlation, in %	17	99	62
			Mean reversion, in % ²	5	10	6
			Prepayment rate, in %	5	31	23
of which foreign exchange derivatives	938	Option model	Correlation, in %	(10)	70	48
			Prepayment rate, in %	19	31	25
of which equity/index-related derivatives	1,896	Option model	Correlation, in %	(83)	96	14
			Skew, in %	79	152	118
			Volatility, in %	2	252	26
			Buyback probability, in % ³	50	100	62
of which credit derivatives	1,230	Discounted cash flow	Credit spread, in bp	1	2,052	252
			Discount rate, in %	4	29	14
			Default rate, in %	1	15	6
			Recovery rate, in %	14	77	43
			Loss severity, in %	6	100	62
			Correlation, in %	34	98	55
			Prepayment rate, in %	0	17	2
Short-term borrowings	165	–	–	–	–	–
Long-term debt	9,780					
of which structured notes over two years	6,217	Option model	Correlation, in %	(83)	99	16
			Volatility, in %	5	252	28
			Buyback probability, in % ³	50	100	62
			Gap risk, in % ⁴	0	5	0
of which non-recourse liabilities	2,552					
of which	2,105	Vendor price	Price, in %	0	217	104
of which	301	Market comparable	Price, in %	0	93	13
Other liabilities	2,859					
of which failed sales	1,143					
of which	829	Market comparable	Price, in %	0	100	63
of which	195	Discounted cash flow	Credit spread, in bp	813	1,362	1,185
			Recovery rate, in %	23	23	23
Total level 3 liabilities at fair value	18,537					

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 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 Risk of unexpected large declines in the underlying values between collateral settlement dates.

Fair value, unfunded commitments and term of redemption conditions

end of	2014								2013
	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	7	106	113	0	1	18	19	0	
Equity funds	102	1,842 ¹	1,944	0	28	3,096 ²	3,124	0	
Equity funds sold short	0	(42)	(42)	0	0	(17)	(17)	0	
Total funds held in trading assets and liabilities	109	1,906	2,015	0	29	3,097	3,126	0	
Debt funds	296	187	483	1	320	183	503	6	
Equity funds	0	0	0	0	0	25	25	0	
Others	0	50	50	0	0	153	153	31	
Hedge funds	296	237 ³	533	1	320	361 ⁴	681	37	
Debt funds	17	0	17	15	53	0	53	2	
Equity funds	567	0	567	122	2,230	0	2,230	464	
Real estate funds	302	0	302	98	350	0	350	110	
Others	382	0	382	158	706	0	706	250	
Private equities	1,268	0	1,268	393	3,339	0	3,339	826	
Equity method investments	378	43	421	0	349	0	349	0	
Total funds held in other investments	1,942	280	2,222	394	4,008	361	4,369	863	
Total fair value	2,051⁵	2,186⁶	4,237	394⁷	4,037⁵	3,458⁶	7,495	863⁷	

¹ 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.

² 55% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 19% is redeemable on an annual basis with a notice period primarily of more than 60 days, 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 9% 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, and 11% is redeemable on an annual basis with a notice period of more than 60 days.

⁴ 45% 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, 33% is redeemable on demand with a notice period primarily of less than 30 days, and 21% is redeemable on an annual basis with a notice period of more than 60 days.

⁵ Includes CHF 612 million and CHF 1,819 million attributable to noncontrolling interests in 2014 and 2013, respectively.

⁶ Includes CHF 138 million and CHF 107 million attributable to noncontrolling interests in 2014 and 2013, respectively.

⁷ Includes CHF 185 million and CHF 405 million attributable to noncontrolling interests in 2014 and 2013, respectively.

Nonrecurring fair value changes

end of	2014	2013
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	1.4	0.3
of which level 2	1.2	0.0
of which level 3	0.2	0.3

Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

end of	2014			2013		
	Aggregate fair value	Aggregate unpaid principal	Difference	Aggregate fair value	Aggregate unpaid principal	Difference
Loans (CHF million)						
Non-interest-earning loans	1,147	3,816	(2,669)	956	3,262	(2,306)
Financial instruments (CHF million)						
Interest-bearing deposits with banks	0	0	0	311	307	4
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	104,283	104,027	256	96,587	96,217	370
Loans	22,913	23,782	(869)	19,457	19,653	(196)
Other assets ¹	26,088	33,091	(7,003)	20,749	25,756	(5,007)
Due to banks and customer deposits	(914)	(873)	(41)	(690)	(680)	(10)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(54,732)	(54,661)	(71)	(76,104)	(76,012)	(92)
Short-term borrowings	(3,861)	(3,918)	57	(6,053)	(5,896)	(157)
Long-term debt	(80,260)	(80,344)	84	(62,462)	(62,102)	(360)
Other liabilities	(1,268)	(2,767)	1,499	(1,780)	(3,285)	1,505

¹ Primarily loans held-for-sale.

Gains and losses on financial instruments

in	2014	2013	2012
	Net gains/(losses)	Net gains/(losses)	Net gains/(losses)
Financial instruments (CHF million)			
Cash and due from banks	0	0	(13) ²
of which related to credit risk	0	0	(13)
Interest-bearing deposits with banks	9 ¹	10 ¹	12 ¹
of which related to credit risk	3	(3)	3
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	913 ¹	1,143 ¹	1,183 ¹
Other trading assets	0	0	10 ²
Other investments	373 ³	126 ³	144 ³
of which related to credit risk	5	11	34
Loans	10 ²	1,470 ¹	925 ¹
of which related to credit risk	(151)	26	318
Other assets	1,302 ¹	2,058 ¹	2,641 ¹
of which related to credit risk	387	604	355
Due to banks and customer deposits	(59) ²	0	(22) ¹
of which related to credit risk	(17)	(5)	8
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	205 ²	(67) ¹	(114) ¹
Short-term borrowings	152 ²	(256) ²	(350) ²
Long-term debt	678 ²	(2,738) ²	(7,905) ²
of which related to credit risk ⁴	527	(334)	(2,552)
Other liabilities	(175) ²	413 ²	826 ²
of which related to credit risk	(162)	112	912

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

end of	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
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
2013 (CHF million)					
Financial assets					
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	63,426	0	62,882	544	63,426
Loans	209,070	0	209,821	3,940	213,761
Other financial assets ¹	143,831	71,522	71,134	1,473	144,129
Financial liabilities					
Due to banks and deposits	340,104	203,960	136,064	9	340,033
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	17,928	0	17,928	0	17,928
Short-term borrowings	14,140	0	14,148	0	14,148
Long-term debt	64,279	0	61,518	3,774	65,292
Other financial liabilities ²	96,655	1,128	94,458	1,085	96,671

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.

34 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	2014	2013
Assets pledged (CHF million)		
Total assets pledged or assigned as collateral	148,345	137,207
of which encumbered	103,245	92,300

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	2014	2013
Collateral (CHF million)		
Fair value of collateral received with the right to sell or repledge	444,852	359,508
of which sold or repledged	336,301	267,902

Other information

end of	2014	2013
Other information (CHF million)		
Cash and securities restricted under foreign banking regulations	26,286	18,130
Swiss National Bank required minimum liquidity reserves	2,051	2,305

► Refer to "Note 35 – Assets pledged and collateral" in V – Consolidated financial statements – Credit Suisse Group for further information.

35 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, 2014 and 2013, the Bank was adequately capitalized under the regulatory provisions outlined under both FINMA and the BIS guidelines.

► Refer to "Note 36 – 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, 2014 and 2013, the Bank and its subsidiaries, with one exception, 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, 2014 and 2013, the Bank was not subject to restrictions on its ability to pay the proposed dividends.

36 Litigation

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

BIS statistics – Basel III

end of	2014	2013
Eligible capital (CHF million)		
CET1 capital	40,853	37,700
Additional tier 1 capital	6,261	3,069
Total tier 1 capital	47,114	40,769
Tier 2 capital	10,997	11,577
Total eligible capital	58,111	52,346
Risk-weighted assets (CHF million)		
Credit risk	184,531	166,245
Market risk	34,439	39,111
Operational risk	58,413	53,075
Non-counterparty risk	5,611	5,758
Risk-weighted assets	282,994	264,189
Capital ratios (%)		
CET1 ratio	14.4	14.3
Tier 1 ratio	16.6	15.4
Total capital ratio	20.5	19.8

37 Significant subsidiaries and equity method investments

Significant subsidiaries

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
as of December 31, 2014				
Credit Suisse AG				
100	AJP Cayman Ltd.	George Town, Cayman Islands	JPY	8,025.6
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 Títulos e Valores Mobiliários S.A.	São Paulo, Brazil	BRL	5.0
100	Credit Suisse (Brasil) S.A. Corretora de Títulos e Valores Mobiliários	São Paulo, Brazil	BRL	98.4
100	Credit Suisse (Deutschland) Aktiengesellschaft	Frankfurt, Germany	EUR	130.0
100	Credit Suisse (France)	Paris, France	EUR	52.9
100	Credit Suisse (Gibraltar) Limited	Gibraltar, Gibraltar	GBP	5.0
100	Credit Suisse (Channel Islands) Limited	St. Peter Port, Guernsey	USD	6.1
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	150.0
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	24.0
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 Business Analytics (India) Private Limited	Mumbai, India	INR	40.0
100	Credit Suisse Capital LLC	Wilmington, United States	USD	737.6

Significant subsidiaries (continued)

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
100	Credit Suisse Energy (Canada) Limited	Toronto, Canada	USD	0.0
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 (Latin America 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	53.9
100 ¹	Credit Suisse Holdings (USA), Inc.	Wilmington, United States	USD	4,184.7
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 Principal Investments Limited	George Town, Cayman Islands	JPY	3,324.0
100	Credit Suisse Prime Securities Services (USA) LLC	Wilmington, United States	USD	263.3
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	530.9
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	1,836.1
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 LBO Plans Management, LLC	Wilmington, United States	USD	7.8
100	DLJ Mortgage Capital, Inc.	Wilmington, United States	USD	0.0
100	Merban Equity AG	Zug, Switzerland	CHF	0.1
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	13,107.7
83	Asset Management Finance LLC	Wilmington, United States	USD	341.8
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, 2014		
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.

38 Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)

► Refer to "Note 42 – 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.

39 Risk assessment

During the reporting period the Board of Directors and its Risk Committee performed risk assessments in accordance with established policies and procedures.

The governance of the Bank and the Group, including risk governance, is fully aligned. Both the Board of Directors and the Executive Board are comprised of the same individuals.

► Refer to "Note 43 – Risk assessment" in V – Consolidated financial statements – Credit Suisse Group for information in accordance with the Swiss Code of Obligations on the risk assessment process followed by the Board of Directors.

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, 2014, 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, 2014 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, 2014.

KPMG AG, the Bank's independent auditors, have issued an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of December 31, 2014, 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

We have audited Credit Suisse AG and subsidiaries' (the "Bank") internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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, 2014 and 2013, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes thereto, for each of the years in the three-year period ended December 31, 2014, and our report dated March 20, 2015 expressed an unqualified opinion on those consolidated financial statements.

KPMG AG

 Simon Ryder
 Licensed Audit Expert
 Auditor in Charge


 Anthony Anzovino
 Global Lead Partner

Zurich, Switzerland
 March 20, 2015

APPENDIX 6 — LEGAL PROCEEDINGS INFORMATION EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2014

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the section headed “Litigation” from pages 352 to 359 of the Credit Suisse annual report 2014 in this appendix 6. References to page numbers in this appendix 6 are to the pages in the Credit Suisse annual report 2014 and not to the pages in this document.

38 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

	2014
CHF million	
Balance at beginning of period	2,332
Increase in litigation accruals	2,899
Decrease in litigation accruals	(143)
Decrease for settlements and other cash payments	(4,256)
Foreign exchange translation	190
Balance at end of period	1,022

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 1.8 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.

Research-related litigation

Putative class action lawsuits were filed against Credit Suisse Securities (USA) LLC (CSS LLC) in the wake of publicity surrounding the 2002 industry-wide governmental and regulatory investigations into research analyst practices, with *In re Credit Suisse – AOL Securities Litigation*, filed in the US District Court for the District of Massachusetts, being the remaining outstanding matter. The case was brought on behalf of a class of purchasers of common shares of the former AOL Time Warner Inc. (AOL) who have alleged that CSS LLC's equity research coverage of AOL between January 2001 and July 2002 was false and misleading. The second amended complaint in this action asserted federal securities fraud and control person liability claims against CSS LLC and certain affiliates and former employees of CSS LLC. Plaintiffs estimated damages of approximately USD 3.9 billion. On January 13, 2012, the district court granted summary judgment in favor of the defendants upon its determination to preclude a plaintiff expert witness. The plaintiffs appealed the summary judgment decision and oral argument on the appeal was held on March 6, 2013. On May 14, 2014, the circuit court affirmed the grant of summary judgment. The plaintiffs then moved for rehearing and rehearing en banc. Subsequently, the circuit court denied the motion for rehearing and rehearing en banc, and therefore this case is now concluded.

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.

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, 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. 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 remain pending in Virginia state court. All actions are at early procedural points.

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 a class action lawsuit, 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 action and individual investor actions generally allege 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, 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 US District Court for the Southern District of New York (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.

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 Charles Schwab Corporation in California state court, in which claims against CSS LLC and its affiliates relate to USD 125 million of the RMBS at issue (approximately 9% of the USD 1.4 billion at issue against all defendants in the operative pleading); 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); 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 in the US District Court for the Central District of California, 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 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); one action brought by Commerzbank AG London Branch in the SCNY, 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); 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, 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) and USD 373 million in the Boston action (approximately 7% 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.

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, 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; 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; 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; and one dismissed action initially brought by The Union Central Life Insurance Company and affiliated entities (Union Central) in the SDNY, which is now on appeal, in which claims against CSS LLC and its affiliates and employees relate to approximately USD 65 million of RMBS. These actions are at early or intermediate procedural points.

As disclosed in Credit Suisse's quarterly Financial Reports for 2014, individual investor actions discontinued during the course of 2014 included the following: following a settlement, one action brought by Allstate Insurance Company against CSS LLC and its affiliates; following a settlement, two actions brought by Cambridge Place Investment Management Inc. against CSS LLC and its affiliates; following a settlement, one action by the Federal Home Loan Bank of Chicago against CSS LLC; following a settlement, one action by the Federal Home Loan Bank of Indianapolis against CSS LLC and its affiliates; following settlements by CSS LLC and other financial institutions, one action brought by the Federal Housing Finance Agency (FHFA), as conservator for Fannie Mae and Freddie Mac, against CSS LLC and its affiliates and employees and other financial institutions; following a voluntary discontinuance with prejudice, the two consolidated actions brought by Landesbank Baden-Württemberg and affiliated entities against CSS LLC and other financial institutions; following a settlement, one action brought by Minnesota Life Insurance Company and affiliated entities against CSS LLC and its affiliates; following a settlement, one action brought by The Prudential Insurance Company of America and affiliated entities against CSS LLC and its affiliates; following a settlement, the action brought by Sealink Funding Limited against CSS LLC and its affiliates; and following a settlement, one action brought by the Western & Southern Life Insurance Company and affiliated entities against CSS LLC and its affiliates.

In addition, on December 10, 2014, the SDNY presiding in the action brought by Union Central, denied Union Central's motion to

propose a second amended complaint and dismissed in its entirety all claims against CSS LLC and its affiliates and employees with prejudice, relating to approximately USD 65 million of RMBS. On January 8, 2015, Union Central appealed the SDNY's December 10, 2014 order. On December 17, 2014, following a settlement, the US District Court for the District of Minnesota presiding in the action brought by the John Hancock Life Insurance Co. (U.S.A.) and affiliated entities dismissed with prejudice all claims against CSS LLC, relating to an unstated amount of RMBS at issue against CSS LLC. On January 26, 2015, the California state court presiding in the action brought by the Federal Home Loan Bank of San Francisco dismissed with prejudice claims pertaining to certain RMBS offerings, including certain RMBS offerings on which CSS LLC and its affiliates were sued, reducing the RMBS at issue for CSS LLC and its affiliates from approximately USD 2.2 billion to approximately USD 1.7 billion. Further, as reported in our 2013 Annual Report, on February 14, 2014, as a result of a settlement, the SDNY dismissed with prejudice one of the actions filed by the FHFA in the SDNY against CSS LLC and its affiliates and employees, and on March 21, 2014, CSS LLC and certain affiliates and employees entered into an agreement with the FHFA to settle all claims in two actions filed by the FHFA in the SDNY.

Monoline insurer disputes

CSS LLC and certain of its affiliates are defendants in two pending monoline insurer actions, one commenced by MBIA Insurance Corp. (MBIA), the other commenced by Financial Guaranty Insurance Company (FGIC), each of which guaranteed payments of principal and interest related to approximately USD 770 million and USD 240 million of RMBS, respectively, issued in offerings sponsored by Credit Suisse. One theory of liability advanced by the monoline insurers is that an affiliate of CSS LLC must repurchase certain mortgage loans from the trusts at issue. In each action, plaintiffs claim 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, the monoline insurers allege claims for fraud, fraudulent inducement, material misrepresentations, and breaches of warranties, repurchase obligations, access rights and servicing obligations, and reimbursement. MBIA and FGIC have submitted repurchase demands for loans with an original principal balance of approximately USD 549 million and USD 37 million, respectively. These actions are pending in the SCNY and are at early or intermediate procedural points.

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.

Further, 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 that ruling is on appeal.

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 319 million; 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; one action brought by Asset Backed Securities Corporation Home Equity Loan Trust Series AMQ 2007-HE2, in which no damages amount is alleged; 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 ongoing, and oral argument is expected in 2015.

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 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 for all four developments, which 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 to have 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.

The Bank and other affiliates are also the subject of certain other related litigation regarding these four and 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 on one of the

claims in December 2014. A verdict was issued for the plaintiff on that claim; judgment has not yet been entered. In the case in New York state court, the court granted in part and denied in part the Bank's summary judgment motion. Bank affiliates separately sued Highland-managed funds on related trades and received a favorable judgment which has been appealed.

Tax and securities law matters

Beginning in 2011, Credit Suisse responded to subpoenas and other requests for information from the United States Department of Justice (DOJ), the SEC and other authorities involving historical Private Banking services provided on a cross-border basis to US persons. US authorities were investigating possible violations of US tax and securities laws. In particular, the DOJ was investigating whether US clients violated their US tax obligations and whether Credit Suisse and certain of its employees assisted such clients. The SEC investigated whether certain of our relationship managers triggered obligations for Credit Suisse or the relationship managers in Switzerland to register with the SEC as a broker-dealer or investment advisor. A limited number of current or former employees were indicted and two former employees pled guilty (in one case, as to conduct while employed at other financial institutions that did not involve Credit Suisse and in the other case as to conduct while employed at a former Credit Suisse subsidiary prior to 2006 and other financial institutions after 2006). Credit Suisse received a grand jury target letter from the DOJ in July 2011.

On February 21, 2014, Credit Suisse AG reached a settlement with the SEC that resolved the SEC's investigation regarding registration as an investment advisor and broker-dealer. In a settled administrative and cease-and-desist proceeding, the SEC charged Credit Suisse AG with violating Section 15(a) of the US Securities Exchange Act of 1934 (Exchange Act) and Section 203(a) of the US Investment Advisers Act of 1940 (Advisers Act). Specifically, the SEC's Order found that from at least 2002 through its exit from the US cross-border securities business which Credit Suisse AG began in 2008, Credit Suisse AG, through actions of certain of its relationship managers, violated the federal securities laws by providing certain cross-border brokerage and investment advisory services to US clients at a time when Credit Suisse AG was not registered with the SEC as a broker-dealer or investment advisor. As part of the settlement of the investigation, Credit Suisse AG agreed, among other things, to cease-and-desist from committing or causing any future violations of Section 15(a) of the Exchange Act or Section 203(a) of the Advisers Act and to pay approximately USD 196 million, inclusive of disgorgement of approximately USD 82 million, prejudgment interest of approximately USD 64 million, and a civil money penalty in the amount of USD 50 million. Credit Suisse AG also agreed to the appointment of an independent consultant to review its cross-border compliance policies with respect to the US securities laws and verify that Credit Suisse AG has exited the US cross-border business. The independent consultant has issued its report and Credit Suisse AG is addressing certain additional items.

On May 19, 2014, Credit Suisse AG entered into a settlement regarding all outstanding US cross-border matters, including agreements with the DOJ, the New York State Department of Financial Services (DFS) and the Board of Governors of the US Federal Reserve System (Fed). As part of the settlement, Credit Suisse AG entered a guilty plea to one count of conspiracy to assist US customers in presenting false income tax returns to the US Internal Revenue Service (IRS) in violation of Title 18, US Code section 371, in connection with the former Swiss-based cross border Private Banking business. In total, Credit Suisse AG agreed to pay USD 2,815 million comprised of the following components: (a) USD 2,000 million for the DOJ, including USD 666.5 million in restitution to the IRS and USD 1,333.5 million as a fine (including USD 196 million for the SEC as described in the preceding paragraph); (b) USD 715 million for the DFS; and (c) USD 100 million for the Fed. In prior quarters, Credit Suisse had taken litigation provisions totaling CHF 892 million related to this matter. As a result, the pre-tax impact of the final settlement in the second quarter of 2014 was CHF 1,618 million and the after-tax impact was CHF 1,598 million. The amounts due to the SEC, Fed and DFS were paid in May 2014. The amount due to the DOJ, including the part thereof allocated to the IRS, was paid following the sentencing hearing for Credit Suisse AG, which took place on November 21, 2014. In addition to such payments, 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), provides ongoing reports to various agencies and terminated the employment of certain individuals at Credit Suisse AG associated with the improper conduct. 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 and commodities 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. Plaintiffs appealed part of the decision, and after a federal appeals court dismissed the appeal as premature, the US Supreme Court granted review and reversed the federal appeals court. The federal appeals court has set a briefing schedule for plaintiffs' appeal of the dismissal of their claims. Subsequently, on August 23, 2013, the trial court rejected plaintiffs' requests to replead the dismissed causes of action, except for certain of plaintiffs' state law claims, which were replead by the plaintiffs. The court held a hearing on defendants' motion to dismiss the remaining claims on February 4, 2014. In June 2014, the court denied most of defendants' motion to dismiss. Plaintiffs filed amended complaints and briefing on defendants' motions to dismiss these complaints either is complete or is expected to be complete in the first quarter of 2015. One of the matters not consolidated in the multi-district litigation is also in the SDNY and a motion to dismiss is pending. The other matter is proceeding in state court in New York and a motion to dismiss has been fully briefed.

Additionally, Credit Suisse Group AG and an affiliate as well as other financial institutions have been named in three 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 class action 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.

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.

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.

Singapore MAS matter

On June 14, 2013, the Monetary Authority of Singapore (MAS) announced it was taking supervisory action against 20 banks for various deficiencies relating to the benchmark processes regarding the Singapore dollar interest rate benchmarks, Singapore Interbank Offered Rates and Swap Offered Rates, and the foreign exchange spot benchmarks commonly used to settle Non-Deliverable Forward foreign exchange contracts. Credit Suisse AG Singapore Branch (CSSB) was one of the named banks. The MAS censured the banks and directed them to adopt measures to address these deficiencies. The MAS has also required 19 of the 20 banks, including CSSB, to set aside additional statutory reserves for a period of one year. CSSB, along with six other panel banks, has been calibrated in the third of five tiers by the MAS and required to set aside additional statutory reserves of SGD 400-600 million, which were deposited with the MAS in a non-interest bearing account. During the second quarter of 2014, having completed remedial actions to strengthen governance, internal controls and surveillance systems for these benchmark submissions and trading operations, the MAS returned these additional statutory reserves to CSSB.

CDS-related matters

In July 2013, the Directorate General for Competition of the European Commission (DG Comp) issued a Statement of Objections (SO) 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. The SO marks the commencement of enforcement proceedings in respect of what DG Comp alleges were unlawful attempts to prevent the development of exchange traded platforms for CDS between 2006 and 2009. DG Comp has sent out requests for information and the named Credit Suisse entities are cooperating with such requests.

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 civil litigation granted in part and denied in part the defendants' motion to dismiss, which allowed the case to proceed to discovery. Further, a Credit Suisse entity has received civil investigative demands from the DOJ.

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 is conducting 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 is responding to inquiries from various governmental and regulatory authorities concerning the operation of its alternative trading systems, and is cooperating with those requests. Credit Suisse Group AG was also among more than thirty defendants named in putative class action complaints filed in the SDNY since April 2014, alleging violations of US securities laws related to high-frequency trading. Credit Suisse Group AG was never served with the complaints in which it was named as a defendant and those complaints have been superseded by a consolidated amended complaint filed in September 2014 that is now operative. Since no Credit Suisse entity was named in such consolidated amended complaint, Credit Suisse Group AG is no longer a party to the lawsuit.

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.

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.

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 2015 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 unauthorized exercise of financial activity and related offenses has been initiated against subsidiaries and branches of Credit Suisse. Credit Suisse is cooperating in the investigation.

APPENDIX 7 — A BRIEF GUIDE TO CREDIT RATINGS

Information set out in this appendix 7 is based on, extracted or reproduced from the website of S&P at <https://ratings.standardandpoors.com>, the website of Moody's at <https://www.moody.com> and the website of Fitch at <https://www.fitchratings.com>, as at the day immediately preceding the date of this document. Information appearing on those websites does not form part of this document, and we accept no responsibility for the accuracy or completeness of the information appearing on those websites, except that we have accurately extracted and reproduced such information in this appendix 7 and take responsibility for such extraction and reproduction. We have not separately verified such information. There can be no assurance that such information will not be revised by the relevant rating agency in the future and we have no responsibility to notify you of such change. If you are unsure about any information provided in this appendix 7 and/or what a credit rating means, you should seek independent professional advice.

What is a credit rating?

A credit rating is a forward looking opinion by a credit rating agency of a company's overall ability to meet its financial obligations. The focus is on the company's capacity to pay its debts as they become due. The rating does not necessarily apply to any specific obligation.

What do the credit ratings mean?

Below are guidelines issued by S&P, Moody's and Fitch on what each of their investment-grade ratings means, as at the day immediately preceding the date of this document.

S&P long-term issuer credit ratings

AAA

An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P.

AA

An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.

A

An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB

An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Plus (+) or minus (-)

The above ratings (except for 'AAA') may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Please refer to <https://ratings.standardandpoors.com/about/about-credit-ratings> for further details.

Moody's long-term ratings definitions

Aaa

Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa

Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Modifiers "1", "2" and "3"

Moody's appends numerical modifiers 1, 2 and 3 to each of the above generic rating classifications (except for Aaa). The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Please refer to <https://www.moodys.com/Pages/amr002002.aspx> for further details.

Fitch long-term issuer credit rating scales

AAA

Highest credit quality. 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA

Very high credit quality. 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A

High credit quality. 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB

Good credit quality. 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

Modifiers “+” or “-”

These may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the ‘AAA’ long-term rating category.

Please refer to https://www.fitchratings.com/web_content/ratings/fitch_ratings_definitions_and_scales.pdf for further details.

Rating Outlooks

A rating outlook indicates the potential direction of a long-term credit rating over the intermediate term (for example, this is typically six months to two years for S&P). A rating outlook issued by S&P or Moody’s will usually indicate whether the potential direction is likely to be “positive”, “negative”, “stable” or “developing”. A rating outlook issued by Fitch will usually indicate whether the potential direction is likely to be “positive”, “negative”, “stable” or “evolving”. Please refer to the abovementioned websites of the relevant credit rating agencies for further details regarding rating outlooks published by the relevant credit rating agencies.

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