CREDIT SUISSE GROUP AG
Form 6-K
August 28, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
August 28, 2015
Commission File Number 001-15244
CREDIT SUISSE GROUP AG
(Translation of registrant's name into English)
Paradeplatz 8, CH 8001 Zurich, Switzerland
(Address of principal executive office)

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

Form 20-F Form 40-F

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

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

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

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

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-.

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

CREDIT SUISSE GROUP AG
(Registrant)

Date: August 28, 2015
By:
/s/ Joachim Oechslin
Joachim Oechslin
Chief Risk Officer
By:
/s/ David R. Mathers
David R. Mathers
Chief Financial Officer

2

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

Basel III
Pillar 3 – disclosures 6M15

Introduction

General

The purpose of this Pillar 3 report is to provide updated information as of June 30, 2015 on our implementation of the Basel capital framework and risk assessment processes in accordance with the Pillar 3 requirements. This document should be read in conjunction with the Credit Suisse Annual Report 2014 and the Credit Suisse 1Q15 and 2Q15 Financial Report, which includes important information on regulatory capital and risk management (specific references have been made herein to these documents).

In addition to Pillar 3 disclosures we disclose the way we manage our risks for internal management purposes in the Annual Report.

> Refer to “Risk management” (pages 126 to 160) in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2014 for further information regarding the way we manage risk including economic capital as a Group-wide risk management tool.

Certain reclassifications may be made to prior periods to conform to the current period’s presentation.

The Pillar 3 report is produced and published semi-annually, in accordance with Swiss Financial Market Supervisory Authority FINMA (FINMA) requirements.

This report was verified and approved internally in line with our Pillar 3 disclosure policy. The Pillar 3 report has not been audited by the Group’s external auditors. However, it also includes information that is contained within the audited consolidated financial statements as reported in the Credit Suisse Annual Report 2014.

Regulatory development

On January 28, 2015, the Basel Committee on Banking Supervision (BCBS) issued the final standard for the revised Pillar 3 disclosure requirements. The revised disclosure requirements will enable market participants to compare bank’s disclosure of risk-weighted assets. The revisions focus on improving the transparency of the internal model-based approaches that banks use to calculate minimum regulatory capital requirements. The revised requirements will be effective for the year-end 2016 financial reporting.

Location of disclosure

This report provides the Basel III Pillar 3 disclosures to the extent that these required Pillar 3 disclosures are not included in the Credit Suisse Annual Report 2014 and the Credit Suisse 2Q15 Financial Report.

The following table provides an overview of the location of the required Pillar 3 disclosures.

Location of disclosure

Pillar 3 requirements	Pillar 3 Report 6M15	Annual Report 2014 (and additionally in the 2Q15 Financial Report (FR) for quarterly updates)
Scope of application		
Top corporate entity	"Scope of application" (p. 4)	
Differences in basis of consolidation	Description of differences: "Principles of consolidation" (p. 4)	List of significant subsidiaries and associated entities: "Note 39 - Significant subsidiaries and equity method investments (p. 360 - 362) Changes in scope of consolidation: "Note 3 - Business developments" (p. 95) - 2Q15 FR
Restrictions on transfer of funds or regulatory capital	Overview: "Restrictions on transfer of funds or regulatory capital" (p. 4)	Detailed information: "Liquidity and funding management" (p. 100 - 107)
Capital deficiencies	"Capital deficiencies" (p. 4)	
Capital structure		

	"Capital structure under Basel III" (p. 5)	
	"Swiss requirements" (p. 5 - 6)	
Capital adequacy		
Group/Bank	"Description of regulatory approaches" (p. 6 - 9)	
	"BIS capital metrics" (p. 10 - 11)	
	"Swiss capital metrics" (p. 12 - 13)	
Significant subsidiaries	Refer to "Regulatory disclosures" under https://www.credit-suisse.com/regulatorydisclosures	
Risk management objectives and policies		
General description		"Risk management oversight" (p. 127 - 130)
		"Risk appetite framework" (p. 130 - 132)
		"Risk coverage and management" (p. 133 - 136)

2

Location of disclosure (continued)

Pillar 3 requirements	Pillar 3 Report 6M15	Annual Report 2014 (and additionally in the 2Q15 Financial Report (FR) for quarterly updates)
Credit risk		
Credit risk management overview		"Credit risk" (p. 139 - 141)
Credit risk by asset classes		
Gross credit exposure, risk-weighted assets and capital requirement	"General" (p. 14 - 17)	
Portfolios subject to PD/LGD approach	"Portfolios subject to PD/LGD approach" (p. 17 - 24)	
Portfolios subject to standardized and supervisory risk weights approaches	"Portfolios subject to standardized and supervisory risk weights approaches" (p. 24 - 25)	
Credit risk mitigation used for A-IRB and standardized approaches	"Credit risk mitigation used for A-IRB and standardized approaches" (p. 25 - 26)	Netting: "Derivative instruments" (p. 156 - 158) "Note 1 - Summary of significant accounting policies" (p. 241 - 242) "Note 20 - Offsetting of financial assets and financial liabilities" (p. 115 - 118) - 2Q15 FR
Counterparty credit risk	"Counterparty credit risk" (p. 26 - 29)	Effect of a credit downgrade: "Credit ratings" (p. 51) - 2Q15 FR Impaired loans by industry distribution/industry distribution of charges and write-offs: "Note 16 - Loans, allowance for loan losses and credit quality" (p. 107 - 111) - 2Q15 FR
Securitization risk in the banking book	"Securitization risk in the banking book" (p. 30 - 34)	
Equity type securities in the banking book	"Equity type securities in the banking book" (p. 34 - 35)	
Market risk		
Market risk management overview	Quantitative disclosures: "General" (p. 36) "Securitization risk in the trading book" (p. 37 - 42)	Qualitative disclosures: "Market risk" (p. 136 - 139)

Securitization risk in the trading book		
Interest rate risk in the banking book		
	Qualitative disclosures: "Interest rate risk in the banking book" (p. 43 - 44)	Quantitative disclosures: "Banking portfolios" (p. 151 - 152)
Operational risk		
	Overview: "Operational risk" (p. 9)	Detailed information: "Operational risk" (p. 141 - 144)
Composition of capital		
Balance sheet under the regulatory scope of consolidation	"Balance sheet" (p. 45 - 46)	
Composition of capital	"Composition of capital" (p. 47 - 49)	
Capital instruments		
Main features template and full terms and conditions	Refer to "Regulatory disclosures" under https://www.credit-suisse.com/regulatorydisclosures	
Remuneration		
		"Compensation" (p. 196 - 228)
G-SIBs indicator		
	Refer to "Regulatory disclosures" under https://www.credit-suisse.com/regulatorydisclosures	

3

Scope of application

The highest consolidated entity in the Group to which the Basel III framework applies is Credit Suisse Group.

> Refer to "Regulation and supervision" (pages 26 to 38) in I – Information on the company and to "Capital management" (pages 108 to 125) in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2014 for further information on regulation.

Principles of consolidation

For financial reporting purposes, our consolidation principles comply with accounting principles generally accepted in the US (US GAAP). For capital adequacy reporting purposes, however, entities that are not active in banking and finance are not subject to consolidation (i.e. insurance, real estate and commercial companies). Also, FINMA does not require to consolidate private equity and other fund type vehicles for capital adequacy reporting. Further differences in consolidation principles between US GAAP and capital adequacy reporting relate to special purpose entities (SPEs) that are consolidated under a control-based approach for US GAAP but are assessed under a risk-based approach for capital adequacy reporting. The investments into such entities, which are not material to the Group, are treated in accordance with the regulatory rules and are either subject to a risk-weighted capital requirement or a deduction from regulatory capital.

All significant equity method investments represent investments in the capital of banking, financial and insurance (BFI) entities and are subject to a threshold calculation in accordance with the Basel framework.

Restrictions on transfer of funds or regulatory capital

We do not believe that legal or regulatory restrictions constitute a material limitation on the ability of our subsidiaries to pay dividends or our ability to transfer funds or regulatory capital within the Group.

Capital deficiencies

The Group's subsidiaries which are not included in the regulatory consolidation did not report any capital deficiencies in 6M15.

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 measurement models are reviewed by the Model Risk Management team, an independent validation function, and regularly presented to and approved by the relevant oversight committee.

> Refer to "Risk management oversight" (pages 127 to 130), "Risk appetite framework" (pages 130 to 132) and "Risk coverage and management" (pages 133 to 136) in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2014 for information on risk management oversight including risk culture, risk governance, risk organization, risk types and risk appetite and risk limits.

The Group is exposed to several key banking risks such as:

– Credit risk (refer to section "Credit risk" on pages 14 to 35);
– Market risk (refer to section "Market risk" on pages 36 to 42);
– Interest rate risk in the banking book (refer to section "Interest rate risk in the banking book" on pages 43 to 44); and
– Operational risk (refer to section "Capital" on page 9).

Capital

Regulatory capital framework

Effective January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder (Swiss Requirements). Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. Also, our capital metrics fluctuate during any reporting period in the ordinary course of business.

> Refer to "Capital management" (pages 108 to 125) in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2014 for further information.

Capital structure under Basel III

The BCBS, the standard setting committee within the Bank for International Settlements (BIS), issued the Basel III framework, with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector and requires banks to hold more capital, mainly in the form of common equity. The new capital standards are being phased in from 2013 through 2018 and are fully effective January 1, 2019 for those countries that have adopted Basel III.

> Refer to the table "Basel III phase-in requirements for Credit Suisse" (page 53) in II – Treasury, risk, balance sheet and off-balance sheet – Capital management – Regulatory capital framework in the Credit Suisse 2Q15 Financial Report for capital requirements and applicable effective dates during the phase-in period.

Under Basel III, the minimum common equity tier 1 (CET1) requirement is 4.5% of risk-weighted assets. In addition, a 2.5% CET1 capital conservation buffer is required to absorb losses in periods of financial and economic stress.

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

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

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

Capital instruments that do not meet the strict criteria for inclusion in CET1 are excluded. Capital instruments that would no longer qualify as tier 1 or tier 2 capital will be phased out.

Swiss Requirements

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

> Refer to the chart "Swiss capital and leverage ratio phase-in requirements for Credit Suisse" (page 54) in II – Treasury, risk, balance sheet and off-balance sheet – Capital management – Regulatory capital framework in the Credit Suisse 2Q15 Financial Report for Swiss capital requirements and applicable effective dates during the phase-in period.

The minimum requirement of CET1 capital is 4.5% of risk-weighted assets.

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

The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business. Effective in 2015, FINMA set our progressive component requirement at 4.05% for 2019. On June 30, 2015, FINMA notified us that, effective in 2016, the progressive component requirement for 2019 will be increased from 4.05% to 5.07% due to the latest assessment of our relevant market share. The progressive component requirement may be met with CET1 capital or low-trigger capital instruments. In order to qualify, low-trigger capital instruments must convert into common equity or be written off if the CET1 ratio falls below a specified percentage, the lowest of which may be 5%. In addition, until the end of 2017, the progressive component requirement may also be met with high-trigger capital instruments. Both high and low-trigger capital instruments must comply with the Basel III minimum requirements for tier 2 capital (including subordination, point-of-non-viability loss absorption and minimum maturity).

Similar to Basel III, the Swiss Requirements include a supplemental countercyclical buffer of up to 2.5% of risk-weighted assets that can be activated during periods of excess credit growth. Effective September 2013, the countercyclical capital buffer was activated and initially required banks to hold CET1 capital in the amount of 1% of their risk-weighted assets pertaining to mortgages that finance residential property in Switzerland. In January 2014, upon the request of the Swiss National Bank, the

Swiss Federal Council increased the countercyclical buffer from 1% to 2%, effective June 30, 2014. As of the end of 2Q15, our countercyclical buffer, which applies pursuant to both BIS and FINMA requirements, was CHF 337 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

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

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

> Refer to “Capital management” (pages 108 to 125) in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2014 and “Capital management” (pages 52 to 67) in II – Treasury, risk, balance sheet and off-balance sheet in the Credit Suisse 2Q15 Financial Report for information on our capital structure, eligible capital and shareholders’ equity, capital adequacy and leverage ratio requirements under Basel III and Swiss Requirements.

Description of regulatory approaches

The Basel framework provides a range of options for determining the capital requirements in order to allow banks and supervisors the ability to select approaches that are most appropriate. In general, Credit Suisse has adopted the most advanced approaches, which align with the way risk is internally managed. The Basel framework focuses on credit risk, market risk, operational risk and interest rate risk in the banking book. The regulatory approaches for each of these risk exposures and the related disclosures under Pillar 3 are set forth below.

Credit risk

Credit risk by asset class

The Basel framework permits banks a choice between two broad methodologies in calculating their capital requirements for credit risk by asset class, the internal ratings-based (IRB) approach or the standardized approach. Off-balance-sheet items are converted into credit exposure equivalents through the use of credit conversion factors (CCF).

The majority of our credit risk by asset class is with institutional counterparties (sovereigns, other institutions, banks and corporates) and arises from lending and trading activity in the Investment Banking and Private Banking & Wealth Management divisions. The remaining credit risk by asset class is with retail counterparties and mostly arises in the Private Banking & Wealth Management division from residential mortgage loans and other secured lending, including loans collateralized by securities.

> Refer to “Credit risk by asset class” in section “Credit risk” on pages 14 to 29 for further information.

Advanced-internal ratings-based approach

Under the IRB approach, risk weights are determined by using internal risk parameters and applying an asset value correlation multiplier uplift where exposures are to financial institutions meeting regulatory defined criteria. We have received approval from FINMA to use, and have fully implemented, the advanced-internal ratings-based (A-IRB) approach whereby we provide our own estimates for probability of default (PD), loss given default (LGD) and exposure at default (EAD).

PD parameters capture the risk of a counterparty defaulting over a one-year time horizon. PD estimates are mainly derived from models tailored to the specific business of the respective obligor. The models are calibrated to the long run average of annual internal or external default rates where applicable. For portfolios with a small number of empirical defaults (less than 20), low default portfolio techniques are used.

LGD parameters consider seniority, collateral, counterparty industry and in certain cases fair value markdowns. LGD estimates are based on an empirical analysis of historical loss rates and are calibrated to reflect time and cost of recovery as well as economic downturn conditions. For much of the Private Banking & Wealth Management loan portfolio, the LGD is primarily dependent upon the type and amount of collateral pledged. The credit approval and collateral monitoring process are based on loan-to-value limits. For mortgages (residential or commercial), recovery rates are differentiated by type of property.

EAD is either derived from balance sheet values or by using models. EAD for a non-defaulted facility is an estimate of the expected exposure upon default of the obligor. Estimates are derived based on a CCF approach using default-weighted averages of historical realized conversion factors on defaulted loans by facility type. Estimates are calibrated to capture negative operating environment effects.

We have received approval from FINMA to use the internal model method for measuring counterparty risk for the majority of our derivative and secured financing exposures.

Risk weights are calculated using either the PD/LGD approach or the supervisory risk weights (SRW) approach for certain types of specialized lending.

Standardized approach

Under the standardized approach, risk weights are determined either according to credit ratings provided by recognized external credit assessment institutions or, for unrated exposures, by using the applicable regulatory risk weights. Less than 10% of our credit risk by asset class is determined using this approach.

6

Securitization risk in the banking book

For securitizations, the regulatory capital requirements are calculated using IRB approaches (the RBA and the SFA) and the standardized approach in accordance with the prescribed hierarchy of approaches in the Basel regulations. External ratings used in regulatory capital calculations for securitization risk exposures in the banking book are obtained from Fitch, Moody's, Standard & Poor's or Dominion Bond Rating Service.

> Refer to "Securitization risk in the banking book" in section "Credit risk" on pages 30 to 34 for further information on the IRB approaches and the standardized approach.

Equity type securities in the banking book

For equity type securities in the banking book except for significant investments in BFI entities, risk weights are determined using the IRB Simple approach based on the equity sub-asset type (listed equity and all other equity positions). Significant investments in BFI entities (i.e. investments in the capital of BFI entities that are outside the scope of regulatory consolidation, where the Group owns more than 10% of the issued common share capital of the entity) are subject to a threshold treatment as outlined below in the section “Exposures below 15% threshold”. Where equity type securities represent non-significant investments in BFI entities (i.e., investments in the capital of BFI entities that are outside the scope of regulatory consolidation, where the Group does not own more than 10% of the issued common share capital of the entity), a threshold approach is applied that compares the total amount of non-significant investments in BFI entities (considering both trading and banking book positions) to a 10% regulatory defined eligible capital amount. The amount above the threshold is phased-in as a capital deduction and the amount below the threshold continues to be risk-weighted according to the relevant trading book and banking book approaches.

> Refer to “Equity type securities in the banking book” in section “Credit risk” on pages 34 to 35 for further information.

Credit valuation adjustment risk

Basel III introduced a new regulatory capital charge, Credit Valuation Adjustment (CVA), designed to capture the risk associated with potential mark-to-market losses associated with the deterioration in the creditworthiness of a counterparty.

Under Basel III, banks are required to calculate capital charges for CVA under either the Standardized CVA approach or the Advanced CVA approach (ACVA). The CVA rules stipulate that where banks have permission to use market risk Value-at-Risk (VaR) and counterparty risk Internal Models Method (IMM), they are to use the ACVA unless their regulator decides otherwise. FINMA has confirmed that the ACVA should be used for both IMM and non-IMM exposures.

The regulatory CVA capital charge applies to all counterparty exposures arising from over-the-counter (OTC) derivatives, excluding those with central counterparties (CCP). Exposures arising from Securities Financing Transactions (SFT) are not required to be included in the CVA charge unless they could give rise to a material loss. FINMA has confirmed that Credit Suisse can exclude these exposures from the regulatory capital charge.

Central counterparties risk

The Basel III framework provides specific requirements for exposures the Group has to CCP arising from OTC derivatives, exchange-traded derivative transactions and SFT. Exposures to CCPs which are considered to be qualifying CCPs by the regulator will receive a preferential capital treatment compared to exposures to non-qualifying CCPs.

The Group can incur exposures to CCPs as either a clearing member (house or client trades), or as a client of another clearing member. Where the Group acts as a clearing member of a CCP on behalf of its client (client trades), it incurs an exposure to its client as well as an exposure to the CCP. Since the exposure to the client is to be treated as a bilateral trade, the risk-weighted assets from these exposures are represented under “credit risk by asset class”. Where the Group acts as a client of another clearing member the risk-weighted assets from these exposures are also represented under “credit risk by asset class”.

The exposures to CCP (represented as “Central counterparties (CCP) risks”) consist of trade exposure, default fund exposure and contingent exposure based on trade replacement due to a clearing member default. While the trades exposure includes the current and potential future exposure of the clearing member (or a client) to a CCP arising from the underlying transaction and the initial margin posted to the CCP, the default fund exposure is arising from default fund contributions to the CCP.

Settlement risk

Regulatory fixed risk weights are applied to settlement exposures. Settlement exposures arise from unsettled or failed transactions where cash or securities are delivered without a corresponding receipt.

Exposures below 15% threshold

Significant investments in BFI entities, mortgage servicing rights and deferred tax assets that arise from temporary differences are subject to a threshold approach, whereby individual amounts are compared to a 10% threshold of regulatory defined eligible capital. In addition amounts below the individual 10% thresholds are aggregated and compared to a 15% threshold of regulatory defined eligible capital. The amount that is above the 10% threshold is phased-in as a CET1 deduction. The amount above the 15% threshold is phased-in as a CET1 deduction and the amount below is risk weighted at 250%.

Other items

Other items include risk-weighted assets related to immaterial portfolios for which we have received approval from FINMA to apply a simplified Institute Specific Direct Risk Weight as well as risk-weighted assets related to items that were risk-weighted under Basel II.5 and are phased in as capital deductions under Basel III.

Market risk

We use the advanced approach for calculating the capital requirements for market risk for the majority of our exposures. The following advanced approaches are used: the internal models approach (IMA) and the standardized measurement method (SMM).

We use the standardized approach to determine our market risk for a small population of positions which represent an immaterial proportion of our overall market risk exposure.

> Refer to section “Market risk” on pages 36 to 42 for further information on market risk.

Internal models approach

The market risk IMA framework includes regulatory Value-at-Risk (VaR), stressed VaR, risks not in VaR (RNIV) and Incremental Risk Charge (IRC). In 2014 Comprehensive Risk Measure was discontinued due to the small size of the correlation trading portfolio. We now use the standard rules for this portfolio.

Regulatory VaR, stressed VaR and risks not in VaR

We have received approval from FINMA, as well as from certain other regulators of our subsidiaries, to use our VaR model to calculate trading book market risk capital requirements under the IMA. We apply the IMA to the majority of the positions in our trading book. We continue to receive regulatory approval for ongoing enhancements to the VaR methodology, and the VaR model is subject to regular reviews by regulators. Stressed VaR replicates a VaR calculation on the Group's current portfolio taking into account a one-year observation period relating to significant financial stress and helps to reduce the pro-cyclicality of the minimum capital requirements for market risk. The VaR model does not cover all identified market risk types and as such we have also adopted a RNIV category which was approved by FINMA in 2012.

Incremental Risk Charge

The IRC capitalizes issuer default and migration risk in the trading book, such as bonds or credit default swaps, but excludes securitizations and correlation trading. We have received approval from FINMA, as well as from certain other regulators of our subsidiaries, to use our IRC model. We continue to receive regulatory approval for ongoing enhancements to the IRC methodology, and the IRC model is subject to regular reviews by regulators.

The IRC model assesses risk at 99.9% confidence level over a one year time horizon assuming that positions are sold and replaced one or more times, depending on their liquidity which is modeled by the liquidity horizon. The portfolio loss distribution is estimated using an internally developed credit portfolio model designed to the regulatory requirements.

The liquidity horizon represents time required to sell the positions or hedge all material risk covered by the IRC model in a stressed market. Liquidity horizons are modelled according to the requirements imposed by Basel III guidelines.

The IRC model and liquidity horizon methodology have been validated by the Model Risk Management team in accordance with the firms validation umbrella policy and Risk Model Validation Sub-Policy for IRC.

Standardized measurement method

We use the SMM which is based on the ratings-based approach (RBA) and the supervisory formula approach (SFA) for securitization purposes (see also Securitization risk in the banking book) and other supervisory approaches for trading book securitization positions covering the approach for nth-to-default products and portfolios covered by the weighted average risk weight approach.

> Refer to "Securitization risk in the trading book" in section "Market risk" on pages 37 to 42 for further information on the standardized measurement method and other supervisory approaches.

Operational risk

We have used an internal model to calculate the regulatory capital requirement for operational risk under the Advanced Measurement Approach (AMA) since 2008. In 2014, we introduced an enhanced internal model that incorporated recent developments regarding operational risk measurement methodology and associated regulatory guidance. FINMA approved the revised model for calculating the regulatory capital requirement for operational risk 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 compared with 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 risk and control self-assessment 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. The AMA capital requirement is allocated to businesses using a risk-sensitive approach that is designed to be forward looking and incentivize appropriate risk management behaviors.

> Refer to "Operational risk" (pages 141 to 144) in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2014 for information on operational risk.

Non-counterparty-related risk

Regulatory fixed risk weights are applied to non-counterparty-related exposures. Non-counterparty-related exposures arise from holdings of premises and equipment, real estate and investments in real estate entities.

BIS capital metrics

Regulatory capital and ratios

Regulatory capital is calculated and managed according to Basel regulations and used to determine BIS ratios. BIS ratios compare eligible CET1 capital, tier 1 capital and total capital with BIS risk-weighted assets.

> Refer to "Risk-weighted assets" (pages 54 to 55) in II – Treasury, risk, balance sheet and off-balance sheet – Capital management – BIS capital metrics in the Credit Suisse 1Q15 Financial Report and "Risk-weighted assets" (pages 58 to 59) in II – Treasury, risk, balance sheet and off-balance sheet – Capital management in the Credit Suisse 2Q15 Financial Report for information on risk-weighted assets movements in 6M15.

Summary of BIS risk-weighted assets and capital requirements - Basel III

end of		6M15		2014
	Risk-weighted assets	Capital requirement[1]	Risk-weighted assets	Capital requirement[1]
CHF million				
Credit risk				
Advanced-IRB	121,308	9,705	123,854	9,908
Standardized	3,436	275	3,789	303
Credit risk by asset class	124,744	9,980	127,643	10,211
Advanced-IRB	10,581	847	11,849	948
Standardized	4,981	398	761	61
Securitization risk in the banking book	15,562	1,245	12,610	1,009
Advanced – IRB Simple	12,969	1,037	15,292	1,223
Equity type securities in the banking book	12,969	1,037	15,292	1,223
Advanced CVA	15,649	1,252	15,092	1,207
Standardized CVA	46	4	38	3
Credit valuation adjustment risk	15,695	1,256	15,130	1,210
Standardized - Fixed risk weights	11,575	926	12,640	1,011
Exposures below 15% threshold [2]	11,575	926	12,640	1,011
Advanced	3,181	254	3,427	274
Central counterparties (CCP) risk	3,181	254	3,427	274
Standardized - Fixed risk weights	352	28	552	44
Settlement risk	352	28	552	44
Advanced	423	34	1,050	84
Standardized	3,362	269	4,319	346
Other items [3]	3,785	303	5,369	430
Total credit risk	**187,863**	**15,029**	**192,663**	**15,413**
Market risk				
Advanced	29,800	2,384	34,049	2,724
Standardized	236	19	419	34
Total market risk	**30,036**	**2,403**	**34,468**	**2,758**
Operational risk				
Advanced measurement	58,413	4,673	58,413	4,673
Total operational risk	**58,413**	**4,673**	**58,413**	**4,673**
Non-counterparty-related risk				
Standardized - Fixed risk weights	5,574	446	5,866	469
Total non-counterparty-related risk	**5,574**	**446**	**5,866**	**469**
Total BIS risk-weighted assets and capital requirements	**281,886**	**22,551**	**291,410**	**23,313**
of which advanced	252,324	20,186	263,026	21,042
of which standardized	29,562	2,365	28,384	2,271

1
Calculated as 8% of risk-weighted assets based on BIS total capital minimum requirements.
2
Exposures below 15% threshold are risk-weighted at 250%. Refer to table "Additional information" in section "Reconciliation requirements" for further information.
3
Includes risk-weighted assets of CHF 2,892 million and CHF 3,853 million as of the end of 6M15 and 2014, respectively, related to items that were risk-weighted under Basel II.5 and are phased in as capital deductions under Basel III. Refer to table "Additional information" in section "Reconciliation requirements" for further information.
10

BIS eligible capital - Basel III

	Group		Bank	
end of	6M15	2014	6M15	2014
Eligible capital (CHF million)				
CET1 capital	39,117	43,322	36,658	40,853
Total tier 1 capital	47,076	49,804	44,225	47,114
Total eligible capital	**56,661**	**60,751**	**53,858**	**58,111**

The following table presents the Basel III phase-in requirements for each of the relevant capital components and discloses the Group's and the Bank's current capital metrics against those requirements.

BIS capital ratios - Basel III - Group

end of			6M15			2014
	Ratio	Requirement[2]	Excess	Ratio	Requirement[2]	Excess
Capital ratios (%)						
Total CET1 [1]	13.9	4.5	9.4	14.9	4.0	10.9
Tier 1	16.7	6.0	10.7	17.1	5.5	11.6
Total capital	20.1	8.0	12.1	20.8	8.0	12.8

1
Capital conservation buffer and G-SIB buffer requirement will be phased in from January 1, 2016 through January 1, 2019.

2
Excludes countercyclical buffer that was required as of September 30, 2013. As of the end of 6M15 and 2014, our countercyclical buffer was CHF 337 million and CHF 297 million, which is equivalent to an additional requirement of 0.1% and 0.1% of CET1 capital, respectively.

BIS capital ratios - Basel III - Bank

end of			6M15			2014
	Ratio	Requirement[2]	Excess	Ratio	Requirement[2]	Excess
Capital ratios (%)						
Total CET1 [1]	13.4	4.5	8.9	14.4	4.0	10.4
Tier 1	16.1	6.0	10.1	16.6	5.5	11.1
Total capital	19.6	8.0	11.6	20.5	8.0	12.5

1
Capital conservation buffer and G-SIB buffer requirement will be phased in from January 1, 2016 through January 1, 2019.

2
Excludes countercyclical buffer that was required as of September 30, 2013. As of the end of 6M15 and 2014, our countercyclical buffer was CHF 278 million and CHF 246 million, which is equivalent to an additional requirement of 0.1% and 0.1% of CET1 capital, respectively.

11

Swiss capital metrics

Swiss regulatory capital and ratios

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

As of the end of 6M15, our Swiss CET1 capital and Swiss total capital ratios were 13.8% and 20.0%, respectively, compared to the Swiss capital ratio phase-in requirements of 7.37% and 12.16%, respectively.

Swiss risk-weighted assets - Group

end of		6M15			2014	
	Advanced	Standardized	Total	Advanced	Standardized	Total
Risk-weighted assets (CHF million)						
Total BIS risk-weighted assets	**252,324**	**29,562**	**281,886**	**263,026**	**28,384**	**291,410**
Impact of differences in thresholds [1]	1	(33)	(32)	1	(33)	(32)
Other multipliers [2]	987	–	987	1,090	–	1,090
Total Swiss risk-weighted assets	**253,312**	**29,529**	**282,841**	**264,117**	**28,351**	**292,468**

1

Represents the impact on risk-weighted assets of differences in regulatory thresholds resulting from Swiss regulatory CET1 adjustments.

2

Primarily includes differences in credit risk multiplier.

Swiss statistics - Basel III

		Group		Bank
end of	6M15	2014	6M15	2014
Capital development (CHF million)				
CET1 capital	39,117	43,322	36,658	40,853
Swiss regulatory adjustments [1]	(137)	(133)	(111)	(111)
Swiss CET1 capital	**38,980**	**43,189**	**36,547**	**40,742**
High-trigger capital instruments	8,767 [2]	8,893	8,826 [2]	8,944
Low-trigger capital instruments	8,678 [3]	9,406	7,810 [4]	8,480
Additional tier 1 and tier 2 instruments subject to phase-out	5,665	6,663	5,665	6,669
Deductions from additional tier 1 and tier 2 capital	(5,567)	(7,533)	(5,101)	(6,835)
Swiss total eligible capital	**56,523**	**60,618**	**53,747**	**58,000**
Capital ratios (%)				
Swiss CET1 ratio	13.8	14.8	13.3	14.3
Swiss total capital ratio	20.0	20.7	19.5	20.4

1

Includes adjustments for certain unrealized gains outside the trading book.

2

Consists of CHF 6.2 billion additional tier 1 instruments and CHF 2.6 billion tier 2 instruments.

3

Consists of CHF 4.8 billion additional tier 1 instruments and CHF 3.9 billion tier 2 instruments.

4

Consists of CHF 3.9 billion additional tier 1 instruments and CHF 3.9 billion tier 2 instruments.

12

The following table presents the Swiss Requirements for each of the relevant capital components and discloses our current capital metrics against those requirements.

Swiss capital requirements and coverage

	Group									
	Capital requirements					Capital requirements				
end of	Minimum component	Buffer component	Progressive component	Excess	6M15	Minimum component	Buffer component	Progressive component	Excess	6
Risk-weighted assets (CHF billion)										
Swiss risk-weighted assets	–	–	–	–	**282.8**	–	–	–	–	**2**
2015 Swiss capital requirements [1]										
Minimum Swiss total capital ratio	4.5%	5.12% [2]	2.54%	–	**12.16%**	4.5%	5.12% [2]	2.54%	–	**12.**
Minimum Swiss total eligible capital (CHF billion)	12.7	14.5	7.2	–	**34.4**	12.4	14.1	7.0	–	
Swiss capital coverage (CHF billion)										
Swiss CET1 Capital	12.7	8.1	–	18.1	**39.0**	12.4	7.9	–	16.2	
High-trigger capital instruments	–	6.4	–	2.4	**8.8**	–	6.2	–	2.6	
Low-trigger capital instruments	–	–	7.2	1.5	**8.7**	–	–	7.0	0.8	
Additional tier 1 and tier 2 instruments subject to phase-out	–	–	–	5.7	**5.7**	–	–	–	5.7	
Deductions from additional tier 1 and tier 2 capital	–	–	–	(5.6)	**(5.6)**	–	–	–	(5.1)	
Swiss total eligible capital	**12.7**	**14.5**	**7.2**	**22.1**	**56.5**	**12.4**	**14.1**	**7.0**	**20.3**	
Capital ratios (%)										
Swiss total capital ratio	4.5%	5.12%	2.54%	7.84%	**20.0%**	4.5%	5.12%	2.54%	7.36%	**19**

Rounding differences may occur.

1

The Swiss capital requirements are based on a percentage of risk-weighted assets.

2

Excludes countercyclical buffer that was required as of September 30, 2013.

13

Credit risk

General

Credit risk consists of the following categories:

– Credit risk by asset class
– Securitization risk in the banking book
– Equity type securities in the banking book
– CVA risk
– Exposures below 15% threshold
– CCP risk
– Settlement risk
– Other items

> Refer to “Credit risk” (pages 139 to 141 and pages 152 to 160) in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2014 for information on our credit risk management approach, ratings and risk mitigation and impaired exposures and allowances.

Credit risk by asset class

General

For regulatory purposes, we categorize our exposures into asset classes with different underlying risk characteristics including type of counterparty, size of exposure and type of collateral. The asset class categorization is driven by regulatory rules from the Basel framework.

The following table presents the description of credit risk by asset class under the Basel framework (grouped as either institutional or retail) and the related regulatory approaches used.

Credit risk by asset class - Overview

Asset class	Description	Approaches
Institutional credit risk (mostly in the Investment Banking division)		
Sovereigns	Exposures to central governments, central banks, BIS, the International Monetary Fund, the European Central Bank and eligible Multilateral Development Banks (MDB).	PD/LGD for most portfolios Standardized for banking book treasury liquidity positions and other assets
Other institutions	Exposures to public bodies with the right to raise taxes or whose liabilities are guaranteed by a public sector entity.	PD/LGD for most portfolios Standardized for banking book treasury liquidity positions and other assets
Banks	Exposures to banks, securities firms, stock exchanges and those MDB that do not qualify for sovereign treatment.	PD/LGD for most portfolios SRW for unsettled trades Standardized for banking book treasury liquidity positions and other assets
Corporates	Exposures to corporations (except small businesses) and public sector entities with no right to raise taxes and whose liabilities are not guaranteed by a public entity. The Corporate asset class also includes specialized lending, in which the lender looks primarily to a single source of revenues to cover the repayment obligations and where only the financed asset serves as security for the exposure (e.g., income producing	PD/LGD for most portfolios SRW for Investment Banking specialized lending exposures Standardized for banking book treasury liquidity positions and other assets

	real estate or commodities finance).	
Retail credit risk (mostly in the Private Banking & Wealth Management division)		
Residential mortgages	Includes exposures secured by residential real estate collateral occupied or let by the borrower.	PD/LGD
Qualifying revolving retail	Includes credit card receivables and overdrafts.	PD/LGD
Other retail	Includes loans collateralized by securities, consumer loans, leasing and small business exposures.	PD/LGD Standardized for other assets
Other credit risk		
Other exposures	Includes exposures with insufficient information to treat under the A-IRB approach or to allocate under the Standardized approach into any other asset class.	Standardized

14

Gross credit exposures, risk-weighted assets and capital requirement

The following table presents the derivation of risk-weighted assets from the gross credit exposures (pre- and post-substitution), broken down by regulatory approach and by the credit asset class under the Basel framework.

Gross credit exposures and risk-weighted assets by regulatory approach

end of				6M15				2014
	Exposure Pre-substitution[2]	Exposure Post-substitution	Risk-weighted assets	Capital requirement[1]	Exposure Pre-substitution[2]	Exposure Post-substitution	Risk-weighted assets	Capital requirement[1]
A-IRB (CHF million)								
PD/LGD								
Sovereigns	104,264	99,623	3,475	278	83,167	77,037	3,714	297
Other institutions	2,176	2,244	426	34	2,306	2,381	532	43
Banks	34,483	39,797	10,177	814	33,324	38,062	10,608	849
Corporates	193,474	192,733	79,836	6,387	202,960	204,277	83,192	6,655
Total institutional	**334,397**	**334,397**	**93,914**	**7,513**	**321,757**	**321,757**	**98,046**	**7,844**
Residential mortgage	100,708	100,708	11,786	943	101,350	101,350	11,117	889
Qualifying revolving retail	963	963	286	23	672	672	238	19
Other retail	78,450	78,450	11,756	941	78,449	78,449	11,509	921
Total retail	**180,121**	**180,121**	**23,828**	**1,907**	**180,471**	**180,471**	**22,864**	**1,829**
Total PD/LGD	**514,518**	**514,518**	**117,742**	**9,420**	**502,228**	**502,228**	**120,910**	**9,673**
Supervisory risk weights (SRW)								
Banks	85	85	18	1	26	26	5	0
Corporates	4,468	4,468	3,548	284	3,516	3,516	2,939	236
Total institutional	**4,553**	**4,553**	**3,566**	**285**	**3,542**	**3,542**	**2,944**	**236**
Total SRW	**4,553**	**4,553**	**3,566**	**285**	**3,542**	**3,542**	**2,944**	**236**
Total A-IRB	**519,071**	**519,071**	**121,308**	**9,705**	**505,770**	**505,770**	**123,854**	**9,908**
Standardized (CHF million)								
Sovereigns	10,065	10,065	148	12	7,306	7,306	453	36
Other institutions	89	89	18	1	175	175	35	3
Banks	317	317	73	6	319	319	74	6
Corporates	67	67	67	5	115	115	92	7
Total institutional	**10,538**	**10,538**	**306**	**24**	**7,915**	**7,915**	**654**	**52**
Other retail	222	222	156	13	184	184	149	12
Total retail	**222**	**222**	**156**	**13**	**184**	**184**	**149**	**12**
Other exposures	5,418	5,418	2,974	238	7,704	7,704	2,986	239
Total standardized	**16,178**	**16,178**	**3,436**	**275**	**15,803**	**15,803**	**3,789**	**303**
Total	**535,249**	**535,249**	**124,744**	**9,980**	**521,573**	**521,573**	**127,643**	**10,211**
of which counterparty credit risk[3]	94,460	94,460	24,816	1,985	99,099	99,099	25,916	2,073

1
Calculated as 8% of risk-weighted assets.

2
Gross credit exposures are shown pre- and post-substitution as, in certain circumstances, credit risk mitigation is reflected by shifting the counterparty exposure from the underlying obligor to the protection provider.
3
Includes derivatives and securities financing transactions.
15

Gross credit exposures and risk-weighted assets

	6M15			2014		
	End of	Monthly average	Risk-weighted assets	End of	Monthly average	Risk-weighted assets
Gross credit exposures (CHF million)						
Loans, deposits with banks and other assets [1]	379,229	364,110	74,560	361,177	337,904	75,807
Guarantees and commitments	61,560	60,205	25,368	61,297	61,307	25,920
Securities financing transactions	32,342	36,087	6,780	35,131	35,399	6,495
Derivatives	62,118	66,996	18,036	63,968	63,666	19,421
Total	**535,249**	**527,398**	**124,744**	**521,573**	**498,276**	**127,643**

1

Includes interest bearing deposits with banks, banking book loans, available-for-sale debt securities and other receivables.

Geographic distribution of gross credit exposures

end of	Switzerland	EMEA	Americas	Asia Pacific	Total
6M15 (CHF million)					
Loans, deposits with banks and other assets [1]	178,059	86,586	84,609	29,975	379,229
Guarantees and commitments	11,872	14,810	32,819	2,059	61,560
Securities financing transactions	2,666	12,143	14,209	3,324	32,342
Derivatives	7,304	32,954	17,078	4,782	62,118
Total	**199,901**	**146,493**	**148,715**	**40,140**	**535,249**
2014 (CHF million)					
Loans, deposits with banks and other assets [1]	165,629	86,004	78,004	31,540	361,177
Guarantees and commitments	12,509	14,584	31,931	2,273	61,297
Securities financing transactions	2,182	11,857	16,965	4,127	35,131
Derivatives	6,818	31,675	19,462	6,013	63,968
Total	**187,138**	**144,120**	**146,362**	**43,953**	**521,573**

The geographic distribution is based on the country of incorporation or the nationality of the counterparty, shown pre-substitution.

1

Includes interest bearing deposits with banks, banking book loans, available-for-sale debt securities and other receivables.

Industry distribution of gross credit exposures

end of	Financial institutions	Commercial	Consumer	Public authorities	Total
6M15 (CHF million)					
Loans, deposits with banks and other assets [1]	10,217	133,962	134,600	100,450	379,229
Guarantees and commitments	7,729	50,544	1,999	1,288	61,560
Securities financing transactions	7,593	21,506	7	3,236	32,342
Derivatives	13,891	37,922	2,890	7,415	62,118
Total	**39,430**	**243,934**	**139,496**	**112,389**	**535,249**
2014 (CHF million)					
Loans, deposits with banks and other assets [1]	10,921	140,659	131,581	78,016	361,177

Guarantees and commitments	6,885	51,319	2,058	1,035	61,297
Securities financing transactions	7,599	23,929	9	3,594	35,131
Derivatives	12,269	41,968	2,928	6,803	63,968
Total	**37,674**	**257,875**	**136,576**	**89,448**	**521,573**

Exposures are shown pre-substitution.
1
Includes interest bearing deposits with banks, banking book loans, available-for-sale debt securities and other receivables.
16

Remaining contractual maturity of gross credit exposures

end of	within 1 year[1]	within 1-5 years	Thereafter	Total
6M15 (CHF million)				
Loans, deposits with banks and other assets [2]	224,550	101,039	53,640	379,229
Guarantees and commitments	19,045	39,106	3,409	61,560
Securities financing transactions	32,030	307	5	32,342
Derivatives	19,371	17,843	24,904	62,118
Total	**294,996**	**158,295**	**81,958**	**535,249**
2014 (CHF million)				
Loans, deposits with banks and other assets [2]	204,879	105,497	50,801	361,177
Guarantees and commitments	19,514	39,686	2,097	61,297
Securities financing transactions	34,690	434	7	35,131
Derivatives	22,420	18,940	22,608	63,968
Total	**281,503**	**164,557**	**75,513**	**521,573**

1
Includes positions without agreed residual contractual maturity.
2
Includes interest bearing deposits with banks, banking book loans, available-for-sale debt securities and other receivables.

Portfolios subject to PD/LGD approach

Rating models

The majority of the credit rating models used in Credit Suisse are developed internally by Credit Analytics, a specialized unit in Credit Risk Management (CRM). These models are independently validated by Model Risk Management team prior to use in the Basel III regulatory capital calculation, and thereafter on a regular basis. Credit Suisse also use models purchased from recognized data and model providers (e.g. credit rating agencies). These models are owned by Credit Analytics and are validated internally and follow the same governance process as models developed internally.

All new or material changes to rating models are subject to a robust governance process. Post development and validation of a rating model or model change, the model is taken through a number of committees where model developers, validators and users of the models discuss the technical and regulatory aspects of the model. The relevant committees opine on the information provided and decide to either approve or reject the model or model change. The ultimate decision making committee is the Risk Processes and Standards Committee (RPSC). The responsible Executive Board Member for the RPSC is the Chief Risk Officer. The RPSC sub-group responsible for credit risk models is the Credit Methodology Steering Committee (CMSC). RPSC or CMSC also review and monitor the continued use of existing models on an annual basis.

The following table provides an overview of the main PD and LGD models used by Credit Suisse. It reflects the portfolio segmentation from a credit risk model point of view, showing the risk-weighted assets, type and number of the most significant models, and the loss period available for model development by portfolio. As the table follows an internal risk segmentation and captures the most significant models only, these figures do not match regulatory asset class or other A-IRB based segmentation.

Main PD and LGD models used by Credit Suisse

				PD		LGD	
Portfolio	Asset class	Risk-weighted assets (in CHF billion)	Number of years loss data	No. of models	Model comment	No. of models	Model comment
Corporates	Corporates, retail	39.0	>15 years	5	Statistical scorecards using e.g. balance sheet, profit & loss data and qualitative factors	3	Statistical and hybrid models using e.g. industry and counterparty segmentation, collateral types and amounts, seniority and other transaction specific factors with granularity enhancements by public research and expert judgement
Banks and other financial institutions	Banks, corporates	7.6	>30 years	2	Statistical scorecard and constrained expert judgement using e.g. balance sheet, profit & loss data and qualitative factors		
Funds	Corporates	15.4	>10 years	5	Statistical scorecards using e.g. net asset value, volatility of returns and qualitative factors		
Residential mortgages	Retail	6.6	>10 years	1	Statistical scorecard using e.g. loan-to-value, affordability, assets and qualitative factors	1	Statistical model using e.g. counterparty segmentation, collateral types and amounts
Income producing real estate	Specialized lending, retail	12.1	>10 years	2	Statistical scorecards using e.g. loan-to-value, debt service coverage and qualitative factors		
Commodity traders	Corporates, specialized lending	3.7	>10 years	1	Statistical scorecard using e.g. volume, liquidity and duration of financed commodity transactions		

Sovereign and public entities	Sovereign, corporates	2.7	>10 years	3	Statistical scorecards and constrained expert judgement using e.g. GDP, financials and qualitative factors	2	Statistical models using e.g. industry and counterparty segmentation, collateral types and amounts, seniority and other transaction specific factors
Ship finance	Specialized lending	2.2	>10 years	1	Simulation model using e.g. freight rates, time charter agreements, operational expenses and debt service coverage	1	Simulation model using e.g. freight rates, time charter agreements, operational expenses and debt service coverage
Lombard	Retail	6.7	>10 years	1	Merton type model using e.g. loan-to-value, collateral volatility and counterparty attributes	1	Merton type model using e.g. loan-to-value, collateral volatility and counterparty attributes

Model development

The techniques to develop models are carefully selected by Credit Analytics to meet industry standards in the banking industry as well as regulatory requirements. The models are developed to exhibit “through-the-cycle” characteristics, reflecting a probability of default in a 12 month period across the credit cycle.

All models have clearly defined model owners who have primary responsibility for development, enhancement, review, maintenance and documentation. The models have to pass statistical performance tests, where feasible, followed by usability tests by designated CRM experts to proceed to formal approval and implementation. The development process of a new model is thoroughly documented and foresees a separate schedule for model updates. The level of calibration of the models is based on a range of inputs, including internal and external benchmarks where available. Additionally, the calibration process ensures that the estimated calibration level accounts for variations of default rates through the economic cycle and that the underlying data contains a representative mix of economic states. Conservatism is incorporated in the model development process to compensate for any known or suspected limitations and uncertainties.

Model validation

Model validation for risk capital models is performed by the Model Risk Management function. Model governance is subject to clear and objective internal standards as outlined in the Model Risk Management policy and the Risk Model Validation Policy. The governance framework ensures a consistent and meaningful approach for the validation of models in scope across the bank. All models whose outputs fall into the scope of the Basel internal model framework are subject to full independent validation. Externally developed models are subject to the same governance and validation standards as internal models.

The governance process requires each in scope model to be validated and approved before go-live; the same process is followed for material changes to an existing model. Existing models

18

are subject to an ongoing governance process which requires each model to be periodically validated and the performance to be monitored annually. The validation process is a comprehensive quantitative and qualitative assessment with goals that include:
– to confirm that the model remains conceptually sound and the model design is suitable for its intended purpose;
– to verify that the assumptions are still valid and weaknesses and limitations are known and mitigated;
– to determine that the model outputs are accurate compared to realized outcome;
– to establish whether the model is accepted by the users and used as intended with appropriate data governance;
– to check whether a model is implemented correctly;
– to ensure that the model is fully transparent and sufficiently documented.
To meet these goals, models are validated against a series of quantitative and qualitative criteria. Quantitative analyses may include a review of model performance (comparison of model output against realized outcome), calibration accuracy against the longest time series available, assessment of a model's ability to rank order risk and performance against available benchmarks. Qualitative assessment typically includes a review of the appropriateness of the key model assumptions, the identification of the model limitations and their mitigation, and ensuring appropriate model use. The modeling approach is re-assessed in light of developments in the academic literature and industry practice. Results and conclusions are presented to senior risk management including the RPSC; shortcomings and required improvements identified during validation must be remediated within an agreed deadline. The Model Risk Management function is independent of model developers and users and has the final say on the content of each validation report.
Stress testing of parameters
The potential biases in PD estimates in unusual market conditions are accounted for by the use of long run average estimates. Credit Suisse additionally uses stress-testing when back-testing PD models. When predefined thresholds are breached during back-testing, a review of the calibration level is undertaken. For LGD/CCF calibration stress testing is applied in defining Downturn LGD/CCF values, reflecting potentially increased losses during stressed periods.
Descriptions of the rating processes
All counterparties that Credit Suisse is exposed to are assigned an internal credit rating. The rating is assigned at the time of initial credit approval and subsequently reviewed and updated on an ongoing basis. Rating determination is based on relevant quantitative data (such as financial statements and financial projections) and qualitative factors relating to the counterparty which is used by CRM by employing a quantitative model which incorporates expert judgement through a well governed model override process in the assignment of a credit rating or PD, which measures the counterparty's risk of default over a one-year period.
Counterparty and transaction rating process – Corporates (excluding corporates managed on the Swiss platform), banks and sovereigns (primarily in the Investment Banking division)
Where rating models are used, the models are an integral part of the rating process, and the outputs from the models are complemented with other relevant information by credit officers via a robust model-override framework where information not captured by the models is taken into account by experienced credit officers. In addition to the information captured by the rating models, credit officers make use of peer analysis, industry comparisons, external ratings and research and the judgment of credit experts to complement the model ratings. This analysis emphasizes a forward looking approach, concentrating on economic trends and financial fundamentals. Where rating models are not used the assignment of credit ratings is based on a well-established expert judgment based process which captures key factors specific to the type of counterparty.
For structured and asset finance deals, the approach is more quantitative. The focus is on the performance of the underlying assets, which represent the collateral of the deal. The ultimate rating is dependent upon the expected performance of the underlying assets and the level of credit enhancement of the specific transaction. Additionally, a review of the originator and/or servicer is performed. External ratings and research (rating agency and/or fixed income and equity), where available, are incorporated into the rating justification, as is any available market information (e.g., bond spreads, equity performance).
Transaction ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analyzed include seniority, industry and collateral. The analysis emphasizes a forward looking approach.
Counterparty and transaction rating process – Corporates managed on the Swiss platform, mortgages and other retail (primarily in the Private Banking & Wealth Management division)

For corporates managed on the Swiss platform and mortgage lending, the PD is calculated directly by proprietary statistical rating models, which are based on internally compiled data comprising both quantitative factors (primarily loan-to-value ratio and the borrower's income level for mortgage lending and balance sheet information for corporates) and qualitative factors (e.g., credit histories from credit reporting bureaus). In this case, an equivalent rating is assigned for reporting purposes, based on the PD band associated with each rating. Collateral loans (margin lending), which form the largest part of "Other retail", is also following an individual PD and LGD approach for loans managed on the Swiss platform, while a pool PD and pool LGD approach is followed elsewhere. Both approaches are calibrated to historical loss experience. Most of the collateral loans are loans collateralized by securities.

The internal rating grades are mapped to the Credit Suisse Internal Masterscale. The PDs assigned to each rating grade are reflected in the following table.

Credit Suisse counterparty ratings

Ratings	PD bands (%)	Definition	S&P	Fitch	Moody's	Details
AAA	0.000 - 0.021	Substantially risk free	AAA	AAA	Aaa	Extremely low risk, very high long-term stability, still solvent under extreme conditions
AA+ AA AA-	0.021 - 0.027 0.027 - 0.034 0.034 - 0.044	Minimal risk	AA+ AA AA-	AA+ AA AA-	Aa1 Aa2 Aa3	Very low risk, long-term stability, repayment sources sufficient under lasting adverse conditions, extremely high medium-term stability
A+ A A-	0.044 - 0.056 0.056 - 0.068 0.068 - 0.097	Modest risk	A+ A A-	A+ A A-	A1 A2 A3	Low risk, short- and mid-term stability, small adverse developments can be absorbed long term, short- and mid-term solvency preserved in the event of serious difficulties
BBB+ BBB BBB-	0.097 - 0.167 0.167 - 0.285 0.285 - 0.487	Average risk	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	Medium to low risk, high short-term stability, adequate substance for medium-term survival, very stable short term
BB+ BB BB-	0.487 - 0.839 0.839 - 1.442 1.442 - 2.478	Acceptable risk	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	Medium risk, only short-term stability, only capable of absorbing minor adverse developments in the medium term, stable in the short term, no increased credit risks expected within the year
B+ B B-	2.478 - 4.259 4.259 - 7.311 7.311 - 12.550	High risk	B+ B B-	B+ B B-	B1 B2 B3	Increasing risk, limited capability to absorb further unexpected negative developments
CCC+ CCC CCC- CC	12.550 - 21.543 21.543 - 100.00 21.543 - 100.00 21.543 - 100.00	Very high risk	CCC+ CCC CCC- CC	CCC+ CCC CCC- CC	Caa1 Caa2 Caa3 Ca	High risk, very limited capability to absorb further unexpected negative developments
C D1 D2	100 Risk of default has materialized	Imminent or actual loss	C D	C D	C	Substantial credit risk has materialized, i.e. counterparty is distressed and/or non-performing. Adequate specific provisions must be made as further adverse developments will result directly in credit losses.

Transactions rated C are potential problem loans; those rated D1 are non-performing assets and those rated D2 are non-interest earning.

Use of internal ratings

Internal ratings play an essential role in the decision-making and the credit approval processes. The portfolio credit quality is set in terms of the proportion of investment and non-investment grade exposures.

Investment/non-investment grade is determined by the internal rating assigned to a counterparty.

Internal counterparty ratings (and associated PDs), transaction ratings (and associated LGDs) and CCF for loan commitments are inputs to risk-weighted assets and Economic Risk Capital (ERC) calculations. Model outputs are the basis for risk-adjusted-pricing or assignment of credit competency levels.

The internal ratings are also integrated into the risk management reporting infrastructure and are reviewed in senior risk management committees. These committees include the Chief Executive Officer, Chief Credit Officer (CCO), Regional CCO, RPSC and Capital Allocation Risk Management Committee (CARMC).

Credit Risk Review

In 2015, Credit Suisse established an independent function Credit Risk Review (CRR) which performs cycled and continuous credit portfolio monitoring to ensure additional oversight of credit risk management, including ratings, credit analysis and credit administration. The CRR team received its mandate from the Group Board of Directors' Risk Committee and its responsibilities include reviewing:

– accuracy and consistency of assigned counterparty/transaction ratings;
– transparency of rating justifications (both the counterparty rating and transaction rating);
– quality of the underlying credit analysis and credit process;
– adherence to Credit Suisse policies, guidelines, procedures, and documentation checklists;
– compliance with regulatory requirements with respect to credit analysis and rating integrity.

Institutional credit exposures by counterparty rating under PD/LGD approach

end of 6M15	Total exposure (CHF m)	Exposure-weighted average LGD (%)	Exposure-weighted average risk weight (%)[1]	Undrawn commit-ments (CHF m)
Sovereigns				
AAA	47,626	3.08	0.48	21
AA	44,314	6.20	1.71	101
A	2,610	19.05	5.01	7
BBB	4,376	45.02	36.37	–
BB	470	21.02	40.45	0
B or lower	227	42.14	168.67	–
Default (net of specific provisions)	–	–	–	–
Total credit exposure	**99,623**	–	–	**129**
Exposure-weighted average CCF (%)[2]	99.76	–	–	–
Other institutions				
AAA	–	–	–	–
AA	1,415	44.70	10.22	216
A	263	42.90	16.79	37
BBB	513	43.48	36.53	94
BB	12	45.49	74.16	2
B or lower	41	13.54	40.95	4
Default (net of specific provisions)	0	–	–	–
Total credit exposure	**2,244**	–	–	**353**
Exposure-weighted average CCF (%)[2]	75.23	–	–	–
Banks				
AAA	–	–	–	–
AA	9,866	53.34	10.67	644
A	21,597	52.86	16.57	2,306
BBB	5,676	48.43	44.10	258
BB	2,131	48.32	76.13	54
B or lower	454	38.06	135.88	32
Default (net of specific provisions)	73	–	–	–
Total credit exposure	**39,797**	–	–	**3,294**
Exposure-weighted average CCF (%)[2]	95.97	–	–	–
Corporates				
AAA	–	–	–	–
AA	40,192	46.43	11.32	6,680
A	41,701	44.72	17.45	10,928
BBB	47,608	36.53	33.71	8,669
BB	46,330	33.26	64.40	9,359
B or lower	15,731	25.93	97.30	5,040
Default (net of specific provisions)	1,171	–	–	25
Total credit exposure	**192,733**	–	–	**40,701**
Exposure-weighted average CCF (%)[2]	75.80	–	–	–
Total institutional credit exposure	**334,397**	–	–	**44,477**

1
The exposure-weighted average risk weights in percentage terms is the multiplier applied to regulatory exposures to derive risk-weighted assets, and may exceed 100%.
2

Calculated before credit risk mitigation.

21

Institutional credit exposures by counterparty rating under PD/LGD approach (continued)

end of 2014	Total exposure (CHF m)	Exposure-weighted average LGD (%)	Exposure-weighted average risk weight (%)[1]	Undrawn commit-ments (CHF m)
Sovereigns				
AAA	33,353	5.56	0.79	21
AA	36,154	6.36	1.72	137
A	1,185	38.52	14.36	–
BBB	5,349	44.82	29.03	2
BB	711	26.91	56.96	–
B or lower	281	42.48	173.03	–
Default (net of specific provisions)	4	–	–	–
Total credit exposure	**77,037**	–	–	**160**
Exposure-weighted average CCF (%) [2]	99.79	–	–	–
Other institutions				
AAA	–	–	–	–
AA	1,538	45.21	10.82	227
A	174	40.42	16.81	39
BBB	536	43.41	38.93	101
BB	47	43.73	75.48	6
B or lower	86	27.37	72.76	4
Default (net of specific provisions)	–	–	–	–
Total credit exposure	**2,381**	–	–	**377**
Exposure-weighted average CCF (%) [2]	75.27	–	–	–
Banks				
AAA	–	–	–	–
AA	7,577	51.00	11.75	930
A	20,779	51.76	17.85	2,599
BBB	6,603	45.39	41.00	278
BB	2,364	49.70	77.06	74
B or lower	587	40.17	124.04	46
Default (net of specific provisions)	152	–	–	–
Total credit exposure	**38,062**	–	–	**3,927**
Exposure-weighted average CCF (%) [2]	94.46	–	–	–
Corporates				
AAA	–	–	–	–
AA	46,771	48.29	12.97	8,522
A	46,692	38.79	16.28	10,783
BBB	49,069	35.93	34.05	10,280
BB	43,584	33.60	67.54	6,515
B or lower	17,312	30.47	102.92	6,181
Default (net of specific provisions)	849	–	–	20
Total credit exposure	**204,277**	–	–	**42,301**
Exposure-weighted average CCF (%) [2]	75.87	–	–	–
Total institutional credit exposure	**321,757**	–	–	**46,765**

1
The exposure-weighted average risk weights in percentage terms is the multiplier applied to regulatory exposures to derive risk-weighted assets, and may exceed 100%.
2

Calculated before credit risk mitigation.
22

Retail credit exposures by expected loss band under PD/LGD approach

end of 6M15	Total exposure (CHF m)	Exposure-weighted average LGD (%)	Exposure-weighted average risk weight (%)[1]	Undrawn commit-ments (CHF m)
Residential mortgages				
0.00%-0.15%	95,734	15.37	9.28	1,274
0.15%-0.30%	3,107	26.36	32.64	94
0.30%-1.00%	1,525	27.58	56.45	38
1.00% and above	111	27.74	117.05	0
Defaulted (net of specific provisions)	231	–	–	1
Total credit exposure	**100,708**	–	–	**1,407**
Exposure-weighted average CCF (%)[2]	98.11	–	–	–
Qualifying revolving retail				
0.00%-0.15%	–	–	–	–
0.15%-0.30%	–	–	–	–
0.30%-1.00%	844	50.00	23.35	–
1.00% and above	118	20.00	60.59	–
Defaulted (net of specific provisions)	1	–	–	–
Total credit exposure	**963**	–	–	**–**
Exposure-weighted average CCF (%)[2]	99.97	–	–	–
Other retail				
0.00%-0.15%	71,556	53.06	10.44	1,023
0.15%-0.30%	1,144	59.52	33.77	52
0.30%-1.00%	3,011	41.40	42.72	87
1.00% and above	2,448	46.53	67.55	46
Defaulted (net of specific provisions)	291	–	–	2
Total credit exposure	**78,450**	–	–	**1,210**
Exposure-weighted average CCF (%)[2]	95.29	–	–	–
Total retail credit exposure	**180,121**	–	–	**2,617**

1
The exposure-weighted average risk weights in percentage terms is the multiplier applied to regulatory exposures to derive risk-weighted assets, and may exceed 100%.
2
Calculated before credit risk mitigation.
23

Retail credit exposures by expected loss band under PD/LGD approach (continued)

end of 2014	Total exposure (CHF m)	Exposure-weighted average LGD (%)	Exposure-weighted average risk weight (%)[1]	Undrawn commit-ments (CHF m)
Residential mortgages				
0.00%-0.15%	95,468	15.74	8.46	1,298
0.15%-0.30%	3,695	28.75	29.50	102
0.30%-1.00%	1,820	28.97	52.53	26
1.00% and above	148	24.98	100.87	–
Defaulted (net of specific provisions)	219	–	–	1
Total credit exposure	**101,350**	–	–	**1,427**
Exposure-weighted average CCF (%) [2]	97.94	–	–	–
Qualifying revolving retail				
0.00%-0.15%	–	–	–	–
0.15%-0.30%	–	–	–	–
0.30%-1.00%	491	50.00	23.35	–
1.00% and above	180	20.00	60.59	–
Defaulted (net of specific provisions)	1	–	–	–
Total credit exposure	**672**	–	–	**–**
Exposure-weighted average CCF (%) [2]	99.98	–	–	–
Other retail				
0.00%-0.15%	72,559	53.58	10.55	1,192
0.15%-0.30%	924	60.79	31.91	73
0.30%-1.00%	2,406	44.30	48.46	73
1.00% and above	2,407	46.39	65.96	48
Defaulted (net of specific provisions)	153	–	–	3
Total credit exposure	**78,449**	–	–	**1,389**
Exposure-weighted average CCF (%) [2]	94.91	–	–	–
Total retail credit exposure	**180,471**	–	–	**2,816**

1
The exposure-weighted average risk weights in percentage terms is the multiplier applied to regulatory exposures to derive risk-weighted assets, and may exceed 100%.
2
Calculated before credit risk mitigation.

Portfolios subject to the standardized and supervisory risk weights approaches

Standardized approach

Under the standardized approach, risk weights are determined either according to credit ratings provided by recognized external credit assessment institutions or, for unrated exposures, by using the applicable regulatory risk weights. Less than 10% of our credit risk is determined using this approach. Balances include banking book treasury liquidity positions.

Supervisory risk weights approach

For specialized lending exposures, internal rating grades are mapped to one of five supervisory categories, associated with a specific risk weight under the SRW approach.

Equity IRB Simple approach

For equity type securities in the banking book, risk weights are determined using the IRB Simple approach, which differentiates by equity sub-asset types (listed equity and all other equity positions). From January 1, 2014, the risk weighting for private equity positions was increased to 400%, in line with the treatment applied to other equity positions.

24

Standardized and supervisory risk weighted exposures after risk mitigation by risk weighting bands

end of	Standardized approach	SRW	Equity IRB Simple	Total
6M15 (CHF million)				
0%	11,944	152	0	12,096
>0%-50%	1,095	556	0	1,651
>50%-100%	3,139	3,208	0	6,347
>100%-200%	0	623	0	623
>200%-400%	0	14	3,247	3,261
Total	**16,178**	**4,553**	**3,247**	**23,978**
2014 (CHF million)				
0%	11,436	43	0	11,479
>0%-50%	832	445	0	1,277
>50%-100%	3,535	2,951	0	6,486
>100%-200%	0	3	0	3
>200%-400%	0	100	3,834	3,934
Total	**15,803**	**3,542**	**3,834**	**23,179**

Credit risk mitigation used for A-IRB and standardized approaches

Credit risk mitigation processes used under the A-IRB and standardized approaches include on- and off-balance sheet netting and utilizing eligible collateral as defined under the IRB approach.

Netting

> Refer to "Derivative instruments" (pages 156 to 158) in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Credit risk and to "Note 1 – Summary of significant accounting policies" (pages 241 to 242) in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2014 for information on policies and procedures for on- and off-balance sheet netting.

> Refer to "Note 20 – Offsetting of financial assets and financial liabilities" (pages 115 to 118) in III – Condensed consolidated financial statements – unaudited in the Credit Suisse 2Q15 Financial Report for further information on the offsetting of derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions.

Collateral valuation and management

The policies and processes for collateral valuation and management are driven by:

– a legal document framework that is bilaterally agreed with our clients; and

– a collateral management risk framework enforcing transparency through self-assessment and management reporting.

For collateralized portfolio by marketable securities, the valuation is performed daily. Exceptions are governed by the calculation frequency described in the legal documentation. The mark-to-market prices used for valuing collateral are a combination of firm and market prices sourced from trading platforms and service providers, where 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 afterwards, according to our internal policies and controls, depending on the type of loan (e.g., residential, commercial) and loan-to-value ratio.

Primary types of collateral

The primary types of collateral are described below.

Collateral securing foreign exchange transactions and OTC trading activities primarily includes:

– Cash and US Treasury instruments; and

– G-10 government securities.

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.

25

Concentrations within risk mitigation

Our Investment Banking division is an active participant in the credit derivatives market and trades with a variety of market participants, principally commercial banks and broker dealers. Credit derivatives are primarily used to mitigate investment grade counterparty exposures.

Concentrations in our Private Banking & Wealth Management lending portfolio arise due to a significant volume of mortgages in Switzerland. The financial collateral used to secure loans collateralized by securities worldwide is generally diversified and the portfolio is regularly analyzed to identify any underlying concentrations, which may result in lower loan-to-value ratios.

> Refer to “Credit risk” (pages 152 to 153) in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2014 for further information on risk mitigation.

Credit risk mitigation used for A-IRB and standardized approaches

end of	Eligible financial collateral	Other eligible IRB collateral	Eligible guarantees/ credit derivatives
6M15 (CHF million)			
Sovereigns	384	0	5,097
Other institutions	5	90	89
Banks	1,141	0	866
Corporates	7,162	35,126	17,932
Residential mortgages	3,769	82,177	27
Other retail	66,726	4,085	225
Total	**79,187**	**121,478**	**24,236**
2014 (CHF million)			
Sovereigns	711	0	6,823
Other institutions	3	103	96
Banks	1,684	0	1,025
Corporates	6,761	34,408	17,951
Residential mortgages	3,817	81,933	45
Other retail	66,347	4,325	244
Total	**79,323**	**120,769**	**26,184**

Excludes collateral used to adjust EAD (e.g. as applied under the internal models method).

Counterparty credit risk

Counterparty exposure

Counterparty credit risk arises from OTC and exchange-traded derivatives, repurchase agreements, securities lending and borrowing and other similar products and activities. The subsequent credit risk exposures depend on the value of underlying market factors (e.g., interest rates and foreign exchange rates), which can be volatile and uncertain in nature.

We have received approval from FINMA to use the internal model method for measuring counterparty risk for the majority of our derivative and secured financing exposures.

Credit limits

All credit exposure is approved, either by approval of an individual transaction/facility (e.g., lending facilities), or under a system of credit limits (e.g., OTC derivatives). Credit exposure is monitored daily to ensure it does not exceed the approved credit limit. These credit limits are set either on a potential exposure basis or on a notional exposure basis. Potential exposure means the possible future value that would be lost upon default of the counterparty on a particular future date, and is taken as a high percentile of a distribution of possible exposures computed by our internal exposure models. Secondary debt inventory positions are subject to separate limits that are set at the issuer level.

> Refer to “Credit risk” (pages 152 to 160) in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2014 for further information on counterparty credit risk, including transaction rating, credit approval process and provisioning.

Wrong-way exposures

Correlation risk arises when we enter into a financial transaction where market rates are correlated to the financial health of the counterparty. In a wrong-way trading situation, our exposure to the counterparty increases while the counterparty's financial health and its ability to pay on the transaction diminishes.

Capturing wrong-way risk requires the establishment of basic assumptions regarding correlations for a given trading product. We have multiple processes that allow us to capture and estimate wrong-way risk.

26

Credit approval and reviews

A primary responsibility of CRM is to monitor counterparty exposure and the creditworthiness of a counterparty, both at the initiation of the relationship and on an ongoing basis. Part of the review and approval process is an analysis and discussion to understand the motivation of the client and to identify the directional nature of the trading in which the client is engaged. Credit limits are agreed in line with the Group's risk appetite framework taking into account the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g., level of collateral).

Exposure adjusted risk calculation

Material trades that feature specific wrong-way risk are applied a conservative treatment for the purpose of calculating exposure profiles. The wrong-way risk framework applies to OTC, securities financing transactions and centrally cleared trades.

Wrong-way risk arises if the exposure the Group has against a counterparty is expected to be high when the probability of default of that counterparty is also high. Wrong-way risk can affect the exposure against a counterparty in two ways:

– The mark-to-market of a trade can be large if the counterparty's PD is high.
– The value of collateral pledged by that counterparty can be low if the counterparty's PD is high.

Two main types of wrong-way risk are distinguished:

– "General wrong-way risk" arises when the likelihood of default by counterparties is positively correlated with general market risk factors.
– "Specific wrong-way risk" arises when potential exposure to a specific counterparty is positively correlated with the counterparty' probability of default due to the nature of the transactions with the counterparty.

There are two variants of specific wrong-way risk:

– If there is a legal connection between the counterparty and the exposure, e.g. the Group buying a put from a counterparty on shares of that counterparty or a parent/subsidiary of that counterparty or a counterparty pledging its own shares or bonds as collateral.
– More general correlation driven specific wrong-way risk.

The presence of wrong-way risk is detected via automated checks for legal connection and via means of stress scenarios and historical time series analyses for correlation.

For those instances where a material wrong-way risk presence is detected, limit utilization and default capital are accordingly adjusted.

Regular reporting of wrong-way risk at both the individual trade and portfolio level allows wrong-way risk to be identified and corrective action taken in the case of heightened concern by CRM. Reporting occurs at various levels:

– Country exposure reporting – Exposure is reported against country limits established for emerging market countries. Exposures that exhibit wrong-way characteristics are given higher risk weighting versus non-correlated transactions, resulting in a greater amount of country limit usage for these trades.
– Counterparty exposure reporting – Transactions that contain wrong-way risk are risk-weighted as part of the daily exposure calculation process, as defined in the credit analytics exposure methodology document. This ensures that correlated transactions utilize more credit limit.
– Correlated repurchase and foreign exchange reports – Monthly reports produced by CRM capturing correlated repurchase and foreign exchange transactions. This information is reviewed by relevant CRM credit officers.
– Scenario risk reporting – In order to identify areas of potential wrong-way risk within the portfolio, a set of defined scenarios are run monthly by Risk Analytics and Reporting. The scenarios are determined by CRM and involve combining existing scenario drivers with specific industries to determine where portfolios are sensitive to these stressed parameters, e.g. construction companies / rising interest rates.
– Scenario analysis is also produced for hedge funds which are exposed to particular risk sensitivities and also may have collateral concentrations due to a specific direction and strategy.
– In addition, and where required, CRM may prepare periodic trade level scenario analysis, in order to review the risk drivers and directionality of the exposure to a counterparty.

The Front Office is responsible for identifying and escalating trades that could potentially give rise to wrong-way risk. Any material wrong-way risk at portfolio or trade level should be escalated to senior CRM executives and risk committees.

Effect of a credit rating downgrade

On a daily basis, we monitor the level of incremental collateral that would be required by derivative counterparties in the event of a Credit Suisse ratings downgrade. Collateral triggers are maintained by our collateral management department and vary by counterparty.

> Refer to "Credit ratings" (page 51) in II – Treasury, risk, balance sheet and off-balance sheet – Liquidity and funding management in the Credit Suisse 2Q15 Financial Report for further information on the effect of a one, two or three notch downgrade as of June 30, 2015.

The impact of downgrades in the Bank's long-term debt ratings are considered in the stress assumptions used to determine the conservative funding profile of our balance sheet and would not be material to our liquidity and funding needs.

> Refer to "Liquidity and funding management" (pages 100 to 107) in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2014 for further information on liquidity and funding management.

Credit exposures on 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 currency and credit risk. Derivative exposure 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. Derivative exposures are calculated according to regulatory methods, using either the current exposures method or approved internal models method. These regulatory methods take into account potential future movements and as a result generate risk exposures that are greater than the net replacement values disclosed for US GAAP.

As of the end of 6M15, no credit derivatives were utilized that qualify for hedge accounting under US GAAP.

> Refer to "Derivative instruments" (pages 156 to 158) in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Credit risk in the Credit Suisse Annual Report 2014 for further information on derivative instruments, including counterparties and their creditworthiness.

> Refer to "Note 24 – Derivative and hedging activities" (pages 123 to 127) in III – Condensed consolidated financial statements – unaudited in the Credit Suisse 2Q15 Financial Report for further information on the fair value of derivative instruments and the distribution of current credit exposures by types of credit exposures.

> Refer to "Note 20 – Offsetting of financial assets and financial liabilities" (pages 115 to 118) in III – Condensed consolidated financial statements – unaudited in the Credit Suisse 2Q15 Financial Report for further information on netting benefits, netted current credit exposures, collateral held and net derivatives credit exposure.

Derivative exposure at default after netting

end of	6M15	2014
Derivative exposure at default (CHF million)		
Internal models method	52,619	53,802
Current exposure method	9,499	10,166
Total derivative exposure	**62,118**	**63,968**

Collateral used for risk mitigation

end of	6M15	2014
Collateral used for risk mitigation for the internal models method (CHF million)		
Financial collateral - cash / securities	27,120	32,463
Other eligible IRB collateral	534	723
Total collateral used for the internal models method	**27,654**	**33,186**
Collateral used for risk mitigation for the current exposure method (CHF million)		
Financial collateral - cash / securities	3,629	4,077
Other eligible IRB collateral	706	589
Total collateral used for the current exposure method	**4,335**	**4,666**

Credit derivatives that create exposures to counterparty credit risk (notional value)

end of	6M15		2014	
	Protection bought	Protection sold	Protection bought	Protection sold
Credit derivatives that create exposures to counterparty credit risk (CHF billion)				
Credit default swaps	532.8	489.4	619.0	570.3
Total return swaps	10.3	0.1	12.5	0.1
Other credit derivatives	55.4	27.0	65.8	19.8
Total	**598.5**	**516.5**	**697.3**	**590.2**

Allowances and impaired loans

The following tables provide additional information on allowances and impaired loans by geographic distribution and changes in the allowances for impaired loans.

Geographic distribution of allowances and impaired loans

end of	Allowances individually evaluated for impairment	Allowances collectively evaluated for impairment	Total allowances	Impaired loans with specific allowances	Impaired loans without specific allowances	Total impaired loans
6M15 (CHF million)						
Switzerland	415	167	582	1,000	157	1,157
EMEA	10	8	18	66	18	84
Americas	85	31	116	175	6	181
Asia Pacific	0	6	6	0	148	148
Total	**510**	**212**	**722**	**1,241**	**329**	**1,570**
2014 (CHF million)						
Switzerland	451	170	621	1,051	69	1,120
EMEA	11	8	19	72	17	89
Americas	78	33	111	174	7	181
Asia Pacific	0	7	7	0	0	0
Total	**540**	**218**	**758**	**1,297**	**93**	**1,390**

The geographic distribution of impaired loans is based on the location of the office recording the transaction. This presentation does not reflect the way the Group is managed.

Changes in the allowances for impaired loans

			6M15			6M14
	Allowances individually evaluated for impairment	Allowances collectively evaluated for impairment	Total	Allowances individually evaluated for impairment	Allowances collectively evaluated for impairment	Total
Changes in the allowances for impaired loans (CHF million)						
Balance at beginning of period	**540**	**218**	**758**	**654**	**215**	**869**
Net additions/(releases) charged to income statement	71	(4)	67	58	(6)	52
Gross write-offs	(107)	0	(107)	(138)	0	(138)
Recoveries	15	0	15	29	0	29
Net write-offs	(92)	0	(92)	(109)	0	(109)
Provisions for interest	12	0	12	8	0	8
Foreign currency translation impact and other adjustments, net	(21)	(2)	(23)	2	(1)	1
Balance at end of period	**510**	**212**	**722**	**613**	**208**	**821**

> Refer to "Loans" in "Note 1 – Summary of significant accounting policies" (pages 243 to 245) in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2014 for further information on definitions of past due and impaired loans.

> Refer to "Note 16 – Loans, allowance for loan losses and credit quality" (pages 103 to 111) in III – Condensed consolidated financial statements – unaudited in the Credit Suisse 2Q15 Financial Report for further information on allowances and impaired loans by industry distribution and the industry distribution of charges and write-offs.

Securitization risk in the banking book

The following disclosures, which also considers the "Industry good practice guidelines on Pillar 3 disclosure requirements for securitization", refer to traditional and synthetic securitizations held in the banking book and regulatory capital on these exposures calculated according to the Basel III IRB and standardized approaches to securitization exposures.

> Refer to "Note 33 – Transfers of financial assets and variable interest entities" (pages 314 to 322) in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2014 and "Note 26 – Transfers of financial assets and variable interest entities" (pages 132 to 138) in III – Condensed consolidated financial statements – unaudited in the Credit Suisse 2Q15 Financial Report for further information on securitization, the various roles, the use of SPEs, the involvement of the Group in consolidated and non-consolidated SPEs, the accounting policies for securitization activities and methods and key assumptions applied in valuing positions retained/purchased.

A traditional securitization is a structure where an underlying pool of assets is sold to an SPE which pays for the assets by issuing tranched securities collateralized by the underlying asset pool. A synthetic securitization is a tranched structure where the credit risk of an underlying pool of assets is transferred, in whole or in part, through the use of credit derivatives or guarantees that may serve to hedge the credit risk of the portfolio. Many synthetic securitizations are not accounted for as securitizations under US GAAP. In both traditional and synthetic securitizations, risk is dependent on the seniority of the retained interest and the performance of the underlying asset pool.

The Group has both securitization and re-securitization transactions in the banking book referencing different types of underlying assets including real estate loans (commercial and residential), commercial loans and credit card loans. The key risks retained are related to the performance of the underlying assets. These risks are summarized in the securitization pool level attributes: PDs of underlying loans (default rate), severity of loss (LGD) and prepayment speeds. The transactions may also be exposed to general market risk, credit spread and counterparty credit risk.

The Group classifies securities within the transactions by the nature of the collateral (prime, sub-prime, Alt-A, commercial, etc.) and the seniority each security has in the capital structure (i.e. senior, mezzanine, subordinate etc.), which in turn will be reflected in the transaction rating. The Group's internal risk methodology is designed such that risk charges are based on the place the particular security holds in the capital structure, the less senior the bond the higher the risk charges.

For re-securitization risk, the Group's risk management models take a 'look through' approach where the behavior of the underlying securities or constituent counterparties are modeled based on their own particular collateral positions. These are then transmitted to the re-securitized position. No additional risk factors are considered within the re-securitization portfolios in addition to those identified and measured within securitization risk.

The Group is active in various roles in connection with securitization, including originator, investor and sponsor. As originator, the Group creates or purchases financial assets (e.g., residential mortgages or corporate loans) and then securitizes them in a traditional or synthetic transaction that achieves significant risk transfer to third party investors. The Group acts as liquidity provider to Alpine Securitization Corp. (Alpine), a multi-seller commercial paper conduit administered by Credit Suisse.

In addition, the Group invests in securitization-related products created by third parties and provides interest rate and currency swaps to SPEs involved in securitization activity.

Retained banking book exposures for mortgage, asset-backed securities (ABS) and collateralized debt obligation (CDO) transactions are risk managed on the same basis as similar trading book transactions. Other transactions will be managed in line with their individual structural or parameter requirements. The Group has also put in place a set of key risk limits for the purpose of managing the Group's risk appetite framework in relation to securitizations and re-securitizations. The internal risk capital measurement is both consistent with securitization transactions and with similar structures in the trading book.

There are no instances where the Group has applied credit risk mitigation approaches to banking book securitization or re-securitization exposures.

In the normal course of business it is possible for the Group's managed separate account portfolios and the Group's controlled investment entities, such as mutual funds, fund of funds, private equity funds and other fund linked products to invest in the securities issued by other vehicles sponsored by the Group engaged in securitization and re-securitization activities. To address potential conflicts, standards governing investments in affiliated products and funds have been adopted.

Securitization exposures purchased or retained – banking book

	On-balance sheet		Off-balance sheet		
end of	Traditional	Synthetic	Traditional	Synthetic	Total
6M15 (CHF million)					
Commercial mortgages	149	0	0	0	149
Residential mortgages	1,230	0	0	0	1,230
CDO/CLO	10,443	25,606	0	0	36,049
Other ABS	584	1	16,403	0	16,988
Total	**12,406**	**25,607**	**16,403**	**0**	**54,416**
2014 (CHF million)					
Commercial mortgages	248	0	0	0	248
Residential mortgages	912	0	0	0	912
CDO/CLO	3,638	20,868	0	0	24,506
Other ABS	694	1	17,803	0	18,498
Total	**5,492**	**20,869**	**17,803**	**0**	**44,164**

Synthetic structures predominantly represent structures where the Group has mitigated its risk by selling the mezzanine tranche of a reference portfolio. Amounts disclosed, however, are the gross exposures securitized including retained senior notes.

The following table represents the total amounts of banking book loans securitized by the Group that fall within the Basel III Securitization Framework and where the Group continues to retain at least some interests.

Exposures securitized by Credit Suisse Group in which the Group has retained interests – banking book

end of				6M15				2014
	Traditional		Synthetic		Traditional		Synthetic	
	Sponsor	Other role	Other role	Total	Sponsor	Other role	Other role	Total
CHF million								
Commercial mortgages	0	966	0	966	0	2,631	0	2,631
Residential mortgages	0	36	0	36	0	29	0	29
CDO/CLO	348	0	30,370	30,718	373	485	25,086	25,944
Other ABS	3,374	5,652	0	9,026	7,166	2,025	0	9,191
Total	**3,722**	**6,654**	**30,370**	**40,746**	**7,539**	**5,170**	**25,086**	**37,795**
of which retained interests				**29,270**				**28,391**

31

Losses related to securitizations recognized during the period – banking book

in	Sponsor	Traditional Other role	Synthetic Other role	Total
6M15 (CHF million)				
Commercial mortgages	0	3	0	3
CDO/CLO	0	0	39	39
Total	**0**	**3**	**39**	**42**
6M14 (CHF million)				
Commercial mortgages	0	0	0	0
CDO/CLO	0	0	6	6
Total	**0**	**0**	**6**	**6**

Impaired or past due assets securitized – banking book

end of			6M15					2014
	Sponsor	Traditional Other role	Synthetic Other role	Total	Sponsor	Traditional Other role	Synthetic Other role	Total
CHF million								
Commercial mortgages	0	914	0	914	0	2,316	0	2,316
CDO/CLO	0	0	158	158	0	40	171	211
Total	**0**	**914**	**158**	**1,072**	**0**	**2,356**	**171**	**2,527**

Securitization and re-securitization exposures by regulatory capital approach – banking book

	Securitization exposure		Re-securitization exposure		Total	
end of	EAD purchased/ retained	Risk-weighted assets	EAD purchased/ retained	Risk-weighted assets	EAD purchased/ retained	Risk-weighted assets
6M15 (CHF million)						
Ratings-based approach (RBA)	12,173	3,755	2,723	1,140	**14,896**	**4,895**
Supervisory formula approach (SFA)	34,909	5,686	0	0	**34,909**	**5,686**
Total advanced approaches	47,082	9,441	2,723	1,140	**49,805**	**10,581**
Standardized approach [1]	3,801	3,765	810	1,216	**4,611**	**4,981**
Total	**50,883**	**13,206**	**3,533**	**2,356**	**54,416**	**15,562**
2014 (CHF million)						
Ratings-based approach (RBA)	11,792	2,495	8,171	4,592	**19,963**	**7,087**
Supervisory formula approach (SFA)	23,234	4,717	88	45	**23,322**	**4,762**
Total advanced approaches	35,026	7,212	8,259	4,637	**43,285**	**11,849**
Standardized approach [1]	879	761	0	0	**879**	**761**
Total	**35,905**	**7,973**	**8,259**	**4,637**	**44,164**	**12,610**

1
Positions under the standardized approach are risk weighted at >50%-100%.

32

Securitization and re-securitization exposures under RBA by rating grade – banking book

end of	Securitization exposure EAD purchased/ retained	Securitization exposure Risk-weighted assets	Re-securitization exposure EAD purchased/ retained	Re-securitization exposure Risk-weighted assets	Total EAD purchased/ retained	Total Risk-weighted assets
6M15 (CHF million)						
AAA	6,409	481	2,450	519	**8,859**	**1,000**
AA	1,448	130	87	37	**1,535**	**167**
A	4,008	568	55	38	**4,063**	**606**
BBB	88	55	131	546	**219**	**601**
BB	3	7	0	0	**3**	**7**
B or lower or unrated	217	2,514	0	0	**217**	**2,514**
Total	**12,173**	**3,755**	**2,723**	**1,140**	**14,896**	**4,895**
2014 (CHF million)						
AAA	6,578	490	7,619	2,333	**14,197**	**2,823**
AA	1,987	172	150	64	**2,137**	**236**
A	2,979	403	102	70	**3,081**	**473**
BBB	86	57	111	266	**197**	**323**
BB	16	80	91	629	**107**	**709**
B or lower or unrated	146	1,293	98	1,230	**244**	**2,523**
Total	**11,792**	**2,495**	**8,171**	**4,592**	**19,963**	**7,087**

Securitization and re-securitization exposures under SFA by risk weight band – banking book

end of	Securitization exposure EAD purchased/ retained	Securitization exposure Risk-weighted assets	Re-securitization exposure EAD purchased/ retained	Re-securitization exposure Risk-weighted assets	Total EAD purchased/ retained	Total Risk-weighted assets
6M15 (CHF million)						
0%-10%	20,226	1,444	0	0	**20,226**	**1,444**
>10%-50%	14,018	2,688	0	0	**14,018**	**2,688**
>50%-100%	507	336	0	0	**507**	**336**
>100%-650%	67	112	0	0	**67**	**112**
>650%-1250%	91	1,106	0	0	**91**	**1,106**
Total	**34,909**	**5,686**	**0**	**0**	**34,909**	**5,686**
2014 (CHF million)						
0%-10%	8,425	625	0	0	**8,425**	**625**
>10%-50%	14,330	2,670	46	9	**14,376**	**2,679**
>50%-100%	322	181	42	36	**364**	**217**
>100%-650%	65	106	0	0	**65**	**106**
>650%-1250%	92	1,135	0	0	**92**	**1,135**
Total	**23,234**	**4,717**	**88**	**45**	**23,322**	**4,762**

Securitization activity

Within Investment Banking the Group synthetically securitized CHF 8.5 billion of counterparty exposure (categorized as CDO/CLO - synthetic).

The following table represents new securitization activity during the period.

Securitization activity – banking book

in	6M15		6M14	
	Amount of exposures securitized	Recognized gain/(loss) on sale	Amount of exposures securitized	Recognized gain/(loss) on sale
CHF million				
CDO/CLO - traditional	22	0	0	0
CDO/CLO - synthetic	8,548	0	5,444	0
Total	**8,570**	**0**	**5,444**	**0**

Securitization subject to early amortization

The aggregate outstanding amount of securitized revolving retail exposures is CHF 921 million, of which CHF 716 million represents the originator's interest and CHF 205 million (categorized as other ABS) the investor's interest. The associated capital charges incurred by the Group under the ratings-based approach are CHF 13 million and CHF 8 million, respectively.

Equity type securities in the banking book

Overview

The classification of our equity type securities into trading book and banking book is made for regulatory reporting purposes. The banking book includes all items that are not classified in the trading book.

Most of our equity type securities in the banking book are classified as investment securities whereas the remaining part is classified as trading assets.

For equity type securities in the banking book except for significant investments in BFI entities that are subject to a threshold treatment as outlined in "Exposures below 15% threshold" in section "Capital" on page 8, risk weights are determined using the IRB Simple approach based on the equity sub-asset type. Where equity type securities represent non-significant investments in BFI entities, a threshold approach is applied, that compares the total amount of non-significant investments in BFI entities (considering both trading and banking book positions) to a 10% regulatory defined eligible capital amount. The amount above the threshold is phased-in as a capital deduction and the amount below the threshold continues to be risk-weighted according to the relevant trading book and banking book approaches.

The numbers in the following table "Equity type securities in the banking book" present the balance sheet value of banking book equity investments and the regulatory exposures to which capital is applied according to the IRB Simple approach. The main differences are the scope of consolidation (primarily deconsolidation of private equity and other fund type vehicles for capital adequacy purposes), significant investments in BFI entities and regulatory approaches such as the net-long calculation and the look-through approach on certain equity securities.

Risk measurement and management

Our banking book equity portfolio includes positions in hedge funds, private equity and other instruments that 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.

> Refer to "Banking portfolios" (pages 151 to 152) in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Market risk in the Credit Suisse Annual Report 2014 for further information on risk measurement and management of our banking portfolios.

Valuation and accounting policies of equity holdings in the banking book

> Refer to "Note 1 – Summary of significant accounting policies" (pages 241 to 242) in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2014 for information on valuation and accounting policies of investment securities and trading assets.

Equity type securities in the banking book

end of / in	6M15	2014
Equity type securities in the banking book (CHF million)		
Balance sheet value of investments at fair value	5,755	6,799
Regulatory exposures at fair value [1]	3,247	3,834
Realized gains/(losses) [2]	64	214
Cumulative unrealized gains/(losses) included in CET1 capital [2]	(150)	(56)

1
Primarily privately held.
2
Gains/(losses) are reported gross of tax.

Central counterparties risk

The Group can incur exposure to CCPs as either a clearing member (house or client trades), or clearing through another member. Qualifying CCPs are expected to be subject to best-practice risk management, and sound regulation and oversight to ensure that they reduce risk, both for their participants and for the financial system. Most CCPs are benchmarked against standards issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions, herein collectively referred to as "CPSS-IOSCO".

The existing credit review process includes annual review of qualitative and quantitative factors for all counterparty types, including CCPs. As part of the credit review of each CCP counterparty, CRM conducts due diligence and based on assessment by the Legal and Compliance Department determines whether (i) the CCP is a qualifying CCP and (ii) the collateral posted is considered bankruptcy remote.

The CRM CCP Guidelines provide detailed guidance on how these flags should be assigned against the standards issued by "CPSS-IOSCO". These include a review of collateral bankruptcy remoteness and that the CCPs holds securities in custody with entities that employ safekeeping procedures and internal controls that fully protect these securities. The review will include analysis of the CCPs policies with respect to account segregation and use of custodians. The determination is made in the context of "Authorization of CCP" (European Market Infrastructure Regulation (EMIR), Article 10) and "Third Countries" (EMIR, Article 23). This information will be appropriately reflected in the risk weightings within the capital calculations.

The Group monitors its daily exposure to the CCP as part of its ongoing limit and exposure monitoring process.

Market risk

General

Market risk is managed under the IMA approach and under the approved securitization methodologies. Validation of the IMA models is performed by the Model Risk Management team, an independent function, and is subject to clear and objective internal standards as outlined in the Validation Policy.

The following table shows risk-weighted assets for all market risk measures including the standardized approach.

> Refer to "Market risk" (pages 136 to 139 and pages 148 to 152) in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2014 and "Market risk review" (pages 70 to 74) in II – Treasury, risk, balance sheet and off-balance sheet – Risk management in the Credit Suisse 2Q15 Financial Report for further information on market risk, including information on risk measurement, VaR, risks not in VaR, stress testing and backtesting.

Risk-weighted assets for market risk

end of	6M15	2014
Risk-weighted assets for market risk (CHF million)		
Total internal models approach	**24,133**	**26,469**
of which regulatory VaR	2,860	3,225
of which stressed VaR	10,414	11,113
of which risks not in VaR	7,039	7,695
of which Incremental Risk Charge	3,820	4,436
Total standardized measurement method	**5,667**	**7,580**
of which ratings-based approach	5,524	7,172
of which supervisory formula approach	66	0
of which other supervisory approaches	77	408
Total advanced approach	**29,800**	**34,049**
Total standardized approach	**236**	**419**
Total risk-weighted assets for market risk	**30,036**	**34,468**

Regulatory VaR, stressed VaR and Incremental Risk Charge

in / end of	Regulatory VaR[1]	Stressed VaR[1]	IRC[2]
6M15 (CHF million)			
Average	27	87	334
Minimum	17	65	236
Maximum	44	126	573
End of period	40	79	253
2014 (CHF million)			
Average	22	89	382
Minimum	16	60	185
Maximum	39	127	679
End of period	33	78	332

All numbers disclosed are spot numbers. Regulatory VaR, stressed VaR and IRC exclude trading book securitizations, in line with BIS guidance.

1
For regulatory and stressed VaR, one-day VaR based on a 99% confidence level is presented, which is a ten-day VaR adjusted to a one-day holding period.

2
IRC is based on a 99.9% confidence level over a one year time horizon.

36

Securitization risk in the trading book

> Refer to "Note 33 – Transfers of financial assets and variable interest entities" (pages 314 to 322) in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2014 and "Note 26 – Transfers of financial assets and variable interest entities" (pages 132 to 138) in III – Condensed consolidated financial statements – unaudited in the Credit Suisse 2Q15 Financial Report for further information on securitization, the various roles, the use of SPEs, the involvement of the Group in consolidated and non-consolidated SPEs, the accounting policies for securitization activities, methods and key assumptions applied in valuing positions retained/purchased and gains/losses relating to RMBS and CMBS securitization activity in 6M15.

Roles in connection with trading book securitization

Within its mortgage business there are four key roles that the Group undertakes within securitization markets: issuer, underwriter, market maker and financing counterparty. The Group holds one of the top trading franchises in market making in all major securitized product types and is a top issuer and underwriter in the re-securitization market in the US as well as being one of the top underwriters in ABS securitization in the US. In addition the Group also has a relatively small correlation trading portfolio.

Securitization and re-securitization activities

The Group's key objective in relation to trading book securitization is to meet clients' investment and divestment needs by making markets in securitized products across all major collateral types, including residential mortgages, commercial mortgages, asset finance (i.e. auto loans, credit card receivables, etc.) and corporate loans. The Group focuses on opportunities to intermediate transfers of risk between sellers and buyers.

The Group is also active in new issue securitization and re-securitization. The Group's Asset Finance team provides short-term secured warehouse financing to clients who originate credit card, auto loan, and other receivables, and the Group sells asset-backed securities collateralized by these receivables to provide its clients long-term financing that matches the lives of their assets.

The Group purchases loans and bonds for the purpose of securitization and sells these assets to sponsored SPEs which in turn issue new securities. Re-securitizations of previously issued residential mortgage-backed securities (RMBS) securities occur when certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

Risks assumed and retained

Key risks retained while securities or loans remain in inventory are related to the performance of the underlying assets (real estate loans, commercial loans, credit card loans, etc.). These risks are summarized in the securitization pool level attributes: PD of underlying loans (default rate), the severity of loss and prepayment speeds. The Group maintains models for both government-guaranteed and private label mortgage products. These models project the above risk drivers based on market interest rates and volatility as well as macro-economic variables such as housing price index, projected GDP and inflation, unemployment etc.

In its role as a market maker, the Group actively trades in and out of positions. Both Front Office and Risk Management continuously monitor liquidity risk as reflected in trading spreads and trading volumes. To address liquidity concerns a specific set of limits on the size of aged positions are in place for the securitized positions we hold.

The Group classifies securities by the nature of the collateral (prime, sub-prime, Alt-A, commercial, etc.) and the seniority each security has in the capital structure (i.e. seniors, mezzanine, subordinate etc.), which in turn will be reflected in the transaction risk assessment. Risk Management monitors portfolio composition by capital structure and collateral type on a daily basis with subordinate exposure and each collateral type subject to separate risk limits. In addition, the internal risk methodology is designed such that risk charges are based on the place the particular security holds in the capital structure, the less senior the bond the higher the risk charges.

For re-securitization risk, the Group's risk management models take a 'look through' approach where they model the behavior of the underlying securities based on their own collateral and then transmit that to the re-securitized position. No additional risk factors are considered within the re-securitization portfolios in addition to those identified and measured within securitization risk.

With respect to both the wind-down corporate correlation trading portfolio and the on-going transactions the key risks that need to be managed includes default risk, counterparty credit risk, correlation risk and cross effects between spread and correlation.

Both correlation and first-to-default are valued using a correlation model which uses the market implied correlation and detailed market data such as constituent spread term structure and constituent recovery. The risks embedded in securitization and re-securitizations are similar and include spread risk, recovery risk, default risk and correlation risk. The risks for different seniority of tranches will be reflected in the tranche price sensitivities to each constituent in the pools.

Monitoring of changes in credit and market risk of securitization exposures

The Group has in place a comprehensive risk management process whereby the front office and Risk Management work together to monitor positions and position changes, portfolio structure and trading activity and calculate a set of risk measures on a daily basis using risk sensitivities and loss modeling methodologies.

For the mortgage business the Group also uses monthly remittance reports (available from public sources) to get up to date information on collateral performance (delinquencies, defaults, pre-payment etc.).

The Group has also put in place a set of limits for the purpose of managing the Group’s risk appetite framework in relation to securitizations and re-securitizations. These limits will cover exposure measures, risk sensitivities, VaR and capital measures with the majority monitored on a daily basis. In addition within the

Group's risk management framework an extensive scenario analysis framework is in place whereby all underlying risk factors are stressed to determine portfolio sensitivity.

Re-securitized products in the mortgage business go through the same risk management process but looking through the structures with the focus on the risk of the underlying securities or constituent names.

Risk mitigation

In addition to the strict exposure limits noted above, the Group uses a number of different risk mitigation approaches to manage risk appetite for its securitization and re-securitization exposures. Where true counterparty credit risk exposure is identified for a particular transaction, there is a requirement for it to be approved through normal credit risk management processes with collateral taken as required. The Group also may use various proxies including corporate single name and index hedges to mitigate the price and spread risks to which it is exposed. Hedging decisions are made by the trading desk based on current market conditions and will be made in consultation with Risk Management. Every trade has a trading mandate where unusual and material trades require approval under the Group's pre-trade approval governance process. International investment banks are the main counterparties to the hedges that are used across these business areas.

In the normal course of business, we may hold tranches which have a monoline guarantee. No benefit from these guarantees is currently included in the calculation of regulatory capital.

Affiliated entities

Funds affiliated with the Group may invest in securities issued by other vehicles sponsored by the Group that are engaged in securitization and re-securitization activities. These funds include mutual funds, fund of funds and private equity funds. Standards governing investments in affiliated funds and products have been adopted to address potential conflicts.

Securitization exposures purchased or retained – trading book

	On-balance sheet				Off-balance sheet	
	Traditional		Synthetic		Synthetic	
end of	Long	Short	Long	Short	Long	Short
6M15 (CHF million)						
CMBS	3,096	27	0	0	104	202
RMBS	5,460	84	0	0	15	5
CDO/CLO	1,071	0	761	0	1	971
Nth-to-default	0	0	0	42	61	770
Other ABS	929	0	0	0	0	0
Total	**10,556**	**111**	**761**	**42**	**181**	**1,948**
2014 (CHF million)						
CMBS	3,380	50	0	0	240	493
RMBS	7,104	116	0	0	17	9
CDO/CLO	1,763	0	171	0	2	437
Nth-to-default	0	0	0	215	143	917
Other ABS	879	0	0	0	0	0
Total	**13,126**	**166**	**171**	**215**	**402**	**1,856**

Outstanding exposures securitized by the Group - trading book

	Traditional		Synthetic		Total
end of	Sponsor[1]	Originator[1]	Sponsor[1]	Originator[1]	
6M15 (CHF million)					
CMBS	7,177	30,061	0	0	**37,238**
RMBS	711	88,299	0	0	**89,010**
Other ABS	0	2,165	0	0	**2,165**
Total	**7,888**	**120,525**	**0**	**0**	**128,413**
2014 (CHF million)					
CMBS	7,898	26,903	0	0	**34,801**
RMBS	1,696	88,495	0	0	**90,191**
Other ABS	0	5,184	0	0	**5,184**
Total	**9,594**	**120,582**	**0**	**0**	**130,176**

Amounts disclosed from January 1, 2010 onwards following the publication of the Pillar 3 requirements in 2009.

1

Where the Group is both the sponsor and sole originator, amount will only be shown under originator. Originator is defined as the entity that transfers collateral into an SPE, including third party collateral transferred into the SPE via the entity's balance sheet.

Outstanding exposures securitized in which the Group has retained interests - trading book

	Exposures securitized		Total
end of	Traditional	Synthetic	
6M15 (CHF million)			
CMBS	37,292	0	**37,292**
RMBS	61,126	587	**61,713**
CDO/CLO	3,926	1,329	**5,255**
Other ABS	192	0	**192**
Total	**102,536**	**1,916**	**104,452**
2014 (CHF million)			
CMBS	50,584	0	**50,584**
RMBS	55,837	664	**56,501**
CDO/CLO	6,758	1,698	**8,456**
Other ABS	766	0	**766**
Total	**113,945**	**2,362**	**116,307**

39

Exposures under standardized measurement method – trading book

end of	Securitization exposure EAD purchased/ retained	Securitization exposure Risk-weighted assets	Re-securitization exposure EAD purchased/ retained	Re-securitization exposure Risk-weighted assets	Total EAD purchased/ retained	Total Risk-weighted assets
6M15 (CHF million)						
Ratings-based approach (RBA)						
CMBS	3,420	297	8	25	**3,428**	**322**
RMBS	5,316	261	244	2,432	**5,560**	**2,693**
CDO/CLO	811	947	981	1,079	**1,792**	**2,026**
Other ABS	928	478	0	5	**928**	**483**
Total RBA	**10,475**	**1,983**	**1,233**	**3,541**	**11,708**	**5,524**
Supervisory formula approach (SFA)						
CDO/CLO	943	66	0	0	**943**	**66**
Total SFA	**943**	**66**	**0**	**0**	**943**	**66**
Other supervisory approaches						
Nth-to-default	812	74	0	0	**812**	**74**
RMBS [1]	4	3	0	0	**4**	**3**
Total other supervisory approaches	**816**	**77**	**0**	**0**	**816**	**77**
Total	**12,234**	**2,126**	**1,233**	**3,541**	**13,467**	**5,667**
2014 (CHF million)						
Ratings-based approach (RBA)						
CMBS	3,803	1,892	111	43	**3,914**	**1,935**
RMBS	6,068	585	280	1,974	**6,348**	**2,559**
CDO/CLO	1,292	1,159	455	784	**1,747**	**1,943**
Other ABS	880	610	0	125	**880**	**735**
Total RBA	**12,043**	**4,246**	**846**	**2,926**	**12,889**	**7,172**
Supervisory formula approach (SFA)						
CDO/CLO	302	0	0	0	**302**	**0**
Total SFA	**302**	**0**	**0**	**0**	**302**	**0**
Other supervisory approaches						
Nth-to-default	1,132	405	0	0	**1,132**	**405**
RMBS [1]	4	3	0	0	**4**	**3**
Total other supervisory approaches	**1,136**	**408**	**0**	**0**	**1,136**	**408**
Total	**13,481**	**4,654**	**846**	**2,926**	**14,327**	**7,580**

1
The weighted average approach is applied to these positions.

Securitization and re-securitization exposures under RBA by rating grade – trading book

	Securitization exposure		Re-securitization exposure		Total	
end of	EAD purchased/ retained	Risk-weighted assets	EAD purchased/ retained	Risk-weighted assets	EAD purchased/ retained	Risk-weighted assets
6M15 (CHF million)						
AAA	8,164	744	70	15	**8,234**	**759**
AA	372	50	38	13	**410**	**63**
A	666	166	33	28	**699**	**194**
BBB	891	550	40	107	**931**	**657**
BB	38	127	25	109	**63**	**236**
B+ or lower	344	346	1,027	3,269	**1,371**	**3,615**
Total	**10,475**	**1,983**	**1,233**	**3,541**	**11,708**	**5,524**
2014 (CHF million)						
AAA	8,594	659	230	49	**8,824**	**708**
AA	560	81	72	25	**632**	**106**
A	1,152	259	89	70	**1,241**	**329**
BBB	1,102	887	72	140	**1,174**	**1,027**
BB	404	1,691	27	121	**431**	**1,812**
B+ or lower	231	669	356	2,521	**587**	**3,190**
Total	**12,043**	**4,246**	**846**	**2,926**	**12,889**	**7,172**

Securitization exposures under SFA by risk weight band – trading book

end of	6M15		2014	
	Securitization exposure		Securitization exposure	
	EAD purchased/ retained	Risk-weighted assets	EAD purchased/ retained	Risk-weighted assets
CHF million				
0%-10%	943	66	301	0
>10%-50%	0	0	0	0
>50%-100%	0	0	0	0
>100%-650%	0	0	0	0
>650%-1250%	0	0	1	0
Total	**943**	**66**	**302**	**0**

Exposures under other supervisory approaches by risk weight band – trading book

end of	6M15		2014	
	Securitization exposure		Securitization exposure	
	EAD purchased/ retained	Risk-weighted assets	EAD purchased/ retained	Risk-weighted assets
CHF million				
0%-100%	781	76	947	113
>100%-200%	10	0	146	177
>200%-300%	25	1	43	118
>300%-400%	0	0	0	0
Total	**816**	**77**	**1,136**	**408**

Risk weight bands represent the risk weight percentage relevant to the position prior to the application of 80% and partial offsets and capping of shorts to the maximum loss.

Securitization activity – trading book

in	6M15		6M14	
	Original amount of exposures securitized	Recognized gain/(loss) on sale	Original amount of exposures securitized	Recognized gain/(loss) on sale
CHF million				
CMBS - traditional	6,074	(2)	1,572	3
RMBS - traditional	13,693	4	11,561	14
Total	**19,767**	**2**	**13,133**	**17**

Other information

As of June 30, 2015, the Group holds the following positions with the intent to securitize: government-guaranteed commercial loans of USD 2.5 billion, government-guaranteed residential pass-through securities of USD 3.4 billion, residential whole loans of USD 1.1 billion and commercial whole loans of USD 3.7 billion. The actual securitizations are subject to future market conditions. There is no difference in the valuation of positions intended to be securitized.

Valuation process

The Basel capital adequacy framework and FINMA circular 2008/20 provide guidance for systems and controls, valuation methodologies and valuation adjustments and reserves to provide prudent and reliable valuation estimates. Financial instruments in the trading book are carried at fair value. The fair value of the majority of these financial instruments is marked to market based on quoted prices in active markets or observable inputs. Additionally, the Group holds financial instruments which are marked to models where the determination of fair values requires subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions and the risks affecting the specific instrument.

Control processes are applied to ensure that the reported fair values of the financial instruments, including those derived from pricing models, are appropriate and determined on a reasonable basis. These control processes include approval of new instruments, timely review of profit and loss, risk monitoring, price verification procedures and validation of models used to estimate the fair value. These functions are managed by senior management and personnel with relevant expertise, independent of the trading and investment functions.

In particular, the price verification function is performed by Product Control, independent from the trading and investment functions, reporting directly to the Chief Financial Officer, a member of the Executive Board.

The valuation process is governed by separate policies and procedures. To arrive at fair values, the following type of valuation adjustments are typically considered and regularly assessed for appropriateness: model, parameter, credit and exit-risk-related adjustments.

Management believes it complies with the relevant valuation guidance and that the estimates and assumptions used in valuation of financial instruments are prudent, reasonable and consistently applied.

> Refer to “Fair valuations” (page 57) in II – Operating and financial review – Credit Suisse – Information and developments, to “Fair value” (page 93) in II – Operating and financial review – Critical accounting estimates, to “Note 34 – Financial instruments” (pages 322 to 348) in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2014 and “Note 27 – Financial instruments (pages 138 to 163) in III – Condensed consolidated financial statements – unaudited in the Credit Suisse 2Q15 Financial Report for further information on fair value.

Risk-weighted assets for market risk under the standardized approach

end of	6M15	2014
Risk-weighted assets for market risk under the standardized approach (CHF million)		
Interest rate risk	0	0
Equity position risk	0	0
Foreign exchange risk	235	418
Precious metals risk	1	1
Total	**236**	**419**

Interest rate risk in the banking book

Overview

Credit Suisse monitors and manages interest rate risk in the banking book by established systems, processes and controls. Risk sensitivity figures are provided to estimate the impact of changes in interest rates, which is one of the primary ways in which these risks are assessed for risk management purposes. In addition, Risk Division confirms that the economic impacts of adverse parallel shifts in interest rates of 200 basis points and adverse interest rate shifts calibrated to a 1-year holding period with a 99% confidence level are significantly below the threshold of 20% of eligible regulatory capital used by the regulator to identify banks that potentially run excessive levels of non-trading interest rate risk. Given the low level of interest rate risk in the banking book, Credit Suisse does not have any regulatory requirement to hold capital against this risk.

Major sources of interest rate risk in the banking book

The interest rate risk exposures in the non-trading positions (synonymously used to the term “banking book”) mainly arise from the retail banking activities of the Private Banking & Wealth Management division, the positioning strategy with respect to our replicated non-interest bearing assets and liabilities (including the equity balance) and the outstanding capital instruments. The vast majority of interest rate risk in the banking book is managed by Treasury and Private Banking & Wealth Management on a portfolio basis.

The interest rate risk from retail banking activities results from the transactions with repricing maturities that either are or are not contractually determined. In the former case since 2014 positions are managed within Private Banking & Wealth Management. For most parts of the latter, such as variable rate mortgages and some types of deposits, which do not have a direct link to market rates in their repricing behavior, it is more suitable to manage them on a portfolio basis rather than on individual trade level. The interest rate risk associated with these products, referred to as non-maturing products, is estimated using the methodology of replicating portfolios: Based on the historical behavior of interest rates and volume of these products it assigns the position balance associated with a non-maturing banking product to time bands that are presumed to reflect their empirical repricing maturities. The methodology is based, where reasonably possible, on the principle of finding a stable relationship between the changes of client rates of the non-maturing products and an underlying investment or funding portfolio. Where this is not possible, the maturity of the product is assessed based on volume stability only. These allocations to time bands can then be used to evaluate the products’ interest rate sensitivity. The structure and parameters of the replicating portfolios are reviewed periodically to ensure continued relevance of the portfolios in light of changing market conditions and client behavior.

For managing parts of the interest rate risk of the corporate balance sheet with respect to our non-interest bearing assets and liabilities (including the equity balance) Credit Suisse assigns tenors to balance sheet positions that reflect a fair investment or funding profile for the underlying balance sheet items. This strategy is implemented by Treasury and the resulting interest rate risk is measured against a pre-defined benchmark.

Changing market rates give rise to changes in the fair values of the outstanding capital instruments that have been issued for funding of the bank. To some extent, on an individual basis, this risk is being mitigated by using swaps to replace fixed payment obligations into floating ones. In addition to these transactions on individual basis, the residual interest rate risk is also managed holistically by Treasury.

Governance of models and limits

The major part of interest rate risk in the banking book is managed centrally by Treasury and Private Banking & Wealth Management within approved limits using hedging instruments such as interest rate swaps. The Board of Directors defines the risk appetite, i.e. a set of risk limits, for the Group on an annual basis. Limits to the divisions are governed by the CARMC; the divisional Risk Management Committees may assign limits on more granular levels for entities, businesses, books, collections of books. The models used for measuring risk are reviewed and validated by the RPSC, where the frequency depends on the criticality of the model. Operational decisions on the use of the models (e.g. in terms of maximum tenor and allocation of tranches to the time bands in the replicating portfolios) is governed by the CARMC. For interest rate risk in the banking book, Risk Division is responsible for monitoring the limit usage and escalating potential limit breaches.

Risk measurement

The risks associated with the non-trading interest rate-sensitive portfolios are measured using a range of tools, including the following key metrics:

– Interest rate sensitivity (DV01): Expresses the linear approximation of the impact on a portfolio's fair value resulting from a one basis point (0.01%) parallel shift in yield curves, where the approximation tends to be closer to the true change in the portfolio's fair value for smaller parallel shifts in the yield curve. The DV01 is a transparent and intuitive indicator of linear directional interest rate risk exposure, which does not rely on statistical inference.
– VaR: Statistical indicator of the potential fair value loss, taking into account the observed interest rate moves across yield curve tenors and currencies. In addition, VaR takes into account yield curve risk, spread and basis risks, as well as foreign exchange and equity risk. For risk management purposes, Credit Suisse uses a VaR measure based on a one-day holding period with a 98% confidence level where the considered
43

historical values are time-weighted using a weighting scheme that assigns lower weights to observations further in the past.

– ERC: ERC is a statistical risk indicator representing the capital the bank should hold to support the risks incurred. ERC is calibrated to a 1-year holding period with a 99% confidence level for risk management purposes.

– Economic value scenario analysis: Expresses the impact of a pre-defined scenario (e.g. instantaneous changes in interest rates) on a portfolio's fair value. This metric does not rely on statistical inference.

The measures listed above focus on the impact on a fair value basis, taking into account the present value of all future cash flows associated with the current positions. More specifically, the metrics estimate the impact on the economic value of the current portfolio, ignoring dynamic aspects such as the time schedule of how changes in economic value materialize in P&L (since most non-trading books are not marked-to-market) and the development of the portfolio over time. These measures are complemented by considering an Earnings-at-Risk approach to interest rate risk: For the major part of the banking books, this is accomplished by simulating the development of the net interest income over several years using scenarios of potential changes of the yield curves. This scenario analysis also takes into account the earnings impact originating from fluctuations in short term interest rates, which are regarded as riskless when analyzing the impact on economic value. In addition to the dynamic aspects, this analysis allows to distinguish between the economic and the accounting view.

Monitoring and review

The limits and flags defined by books, collections of books, businesses or legal entities relating to interest rate risk in the banking book are monitored by Risk Division at least on a monthly basis (if deemed necessary or suitable, the monitoring may be as frequent as daily), by using the metrics and methodologies outlined above. In case of breaches, this is escalated to the limit-setting body. Credit Suisse assesses compliance with regulatory requirements regarding appropriate levels of non-trading interest rate risk by estimating the economic impact of adverse 200 basis point parallel shifts in yield curves and adverse interest rate shifts calibrated to a 1-year holding period with a 99% confidence level and then relating those impacts to the total eligible regulatory capital. Consistent with regulatory requirements, Risk Division ensures that the fair value impact of this analysis is below the threshold of 20% of eligible regulatory capital in which case there are no requirements to hold additional capital. This analysis is performed for the Group and major legal entities, including the Bank, on a monthly basis.

Risk profile

The following table shows the impact of a one basis point parallel increase of the yield curves on the fair value of interest rate-sensitive banking book positions as of the end of 6M15 and 2014.

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

end of	CHF	USD	EUR	GBP	Other	Total
6M15 (CHF million)						
Fair value impact of a one-basis-point parallel increase in yield curves	(1.6)	3.5	0.9	0.0	0.6	3.4
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

This risk is monitored on a daily basis. The monthly analysis of the potential impact resulting from a significant change in yield curves indicates that as of the end of 6M15 and 2014, the fair value impact of an adverse 200 basis point move in yield curves and adverse interest rate moves calibrated to a 1-year holding period with a 99% confidence level, both in relation to the total eligible regulatory capital, were significantly below the 20% threshold. This is used by regulators to identify banks that potentially run excessive levels of non-trading interest rate risk. This was true for the Group and all legal entities covered in the assessment process, including the Bank.

Reconciliation requirements

Balance sheet

The following table shows the balance sheet as published in the consolidated financial statements of the Group and the balance sheet under the regulatory scope of consolidation. The reference indicates how such assets and liabilities are considered in the composition of regulatory capital.

Balance sheet

end of 6M15	Financial statements	Balance sheet Regulatory scope of consolidation	Reference to composition of capital
Assets (CHF million)			
Cash and due from banks	104,054	102,489	
Interest-bearing deposits with banks	928	1,382	
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	137,834	137,635	
Securities received as collateral, at fair value	28,851	28,851	
Trading assets, at fair value	205,688	200,907	
Investment securities	3,370	2,436	
Other investments	7,391	7,273	
Net loans	270,171	277,684	
Premises and equipment	4,429	4,437	
Goodwill	8,238	8,238	a
Other intangible assets	205	205	
of which other intangible assets (excluding mortgage servicing rights)	124	124	b
Brokerage receivables	48,414	48,327	
Other assets	59,749	44,344	
of which tax charges deferred as other assets related to regulatory adjustments	1,368	1,368	c
of which deferred tax assets related to net operating losses	1,119	1,119	d
of which deferred tax assets from temporary differences	4,035	4,035	e
of which defined-benefit pension fund net assets	1,068	1,068	f
Total assets	**879,322**	**864,208**	

45

Balance sheet (continued)

end of 6M15	Financial statements	Balance sheet Regulatory scope of consolidation	Reference to composition of capital
Liabilities and equity (CHF million)			
Due to banks	30,205	30,852	
Customer deposits	356,453	365,853	
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	58,567	65,605	
Obligation to return securities received as collateral, at fair value	28,851	28,851	
Trading liabilities, at fair value	59,390	59,561	
Short-term borrowings	26,401	16,711	
Long-term debt	182,655	170,354	
Brokerage payables	48,039	48,036	
Other liabilities	45,301	35,609	
Total liabilities	**835,862**	**821,432**	
of which additional tier 1 instruments, fully eligible	10,864	10,864	g
of which additional tier 1 instruments subject to phase-out	2,391	2,391	h
of which tier 2 instruments, fully eligible	6,496	6,496	i
of which tier 2 instruments subject to phase-out	4,675	4,675	j
Common shares [1]	65	65	
Additional paid-in capital [1]	25,860	25,860	
Retained earnings	34,188	34,171	
Treasury shares, at cost	(151)	(147)	
Accumulated other comprehensive income/(loss)	(17,320)	(17,287)	
Total shareholders' equity	**42,642**	**42,662**	
Noncontrolling interests [2]	818	114	
Total equity	**43,460**	**42,776**	
Total liabilities and equity	**879,322**	**864,208**	

1
Eligible as CET1 capital.
2
The difference between the accounting and regulatory scope of consolidation primarily represents private equity and other fund type vehicles, which FINMA does not require to consolidate for capital adequacy reporting.

46

Composition of BIS regulatory capital

The following tables provide details on the composition of BIS regulatory capital and details on CET1 capital adjustments subject to phase-in as well as details on additional tier 1 capital and tier 2 capital.

Composition of BIS regulatory capital

end of	6M15
Eligible capital (CHF million)	
Shareholder's equity (US GAAP)	**42,642**
Regulatory adjustments	(64)[1]
Adjustments subject to phase-in	(3,461)[2]
CET1 capital	**39,117**
Additional tier 1 instruments	10,976[3]
Additional tier 1 instruments subject to phase-out	2,392[4]
Deductions from additional tier 1 capital	(5,409)[5]
Additional tier 1 capital	**7,959**
Total tier 1 capital	**47,076**
Tier 2 instruments	6,469[6]
Tier 2 instruments subject to phase-out	3,274
Deductions from tier 2 capital	(158)
Tier 2 capital	**9,585**
Total eligible capital	**56,661**

1
Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2
Reflects 40% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 60% of an adjustment primarily for the accounting treatment of pension plans pursuant to phase-in requirements.
3
Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 6.2 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.8 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
4
Includes hybrid capital instruments that are subject to phase-out.
5
Includes 60% of goodwill and other intangible assets (CHF 5.0 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
6
Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.6 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 3.9 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

47

The following tables provide details on CET1 capital adjustments subject to phase-in and details on additional tier 1 capital and tier 2 capital. The column "Transition amount" represents the amounts that have been recognized in eligible capital as of June 30, 2015. The column "Amount to be phased in" represents those amounts that are still to be phased in as CET1 capital adjustments through year-end 2018.

Details on CET1 capital adjustments subject to phase-in

end of 6M15	Balance sheet	Reference to balance sheet[1]	Regulatory adjustments	Total	Transition amount[2]	Amount to be phased in
CET1 capital adjustments subject to phase-in (CHF million)						
Adjustment for accounting treatment of defined benefit pension plans	–		–	–	1,730	(1,730)
Common share capital issued by subsidiaries and held by third parties	–		–	–	69	(69)
Goodwill	8,238	a	(71)[3]	8,167	(3,267)	(4,900)[4]
Other intangible assets (excluding mortgage-servicing rights)	124	b	(28)[5]	96	(38)	(58)[4]
Deferred tax assets that rely on future profitability (excluding temporary differences)	2,487	c, d	–	2,487	(995)	(1,492)[6]
Shortfall of provisions to expected losses	–		–	–	(210)	(315)[7]
Gains/(losses) due to changes in own credit on fair-valued liabilities	–		–	–	(226)	(339)[8]
Defined-benefit pension assets	1,068	f	(216)[5]	852	(341)	(511)[6]
Investments in own shares	–		–	–	(10)	(15)[4]
Other adjustments[9]	–		–	–	(15)	(24)[4]
Amounts above 10% threshold	4,035		(3,639)	396	(158)	(238)
of which deferred tax assets from temporary differences	4,035	e	(3,639)[10]	396	(158)	(238)[6]
Adjustments subject to phase-in to CET1 capital					**(3,461)**	**(9,691)**

1
Refer to the balance sheet under regulatory scope of consolidation in the table "Balance sheet". Only material items are referenced to the balance sheet.

2
Reflects 40% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 60% of an adjustment primarily for the accounting treatment of pension plans pursuant to phase-in requirements.

3
Represents related deferred tax liability and goodwill on equity method investments.

4
Deducted from additional tier 1 capital.

5
Represents related deferred tax liability.

6
Risk-weighted.

7
50% deducted from additional tier 1 capital and 50% from tier 2 capital.
8
Includes CHF (254) million related to debt instruments deducted from additional tier 1 capital.
9
Includes cash flow hedge reserve.
10
Includes threshold adjustments of CHF (3,928) million and an aggregate of CHF 289 million related to the add-back of deferred tax liabilities on goodwill, other intangible assets, mortgage servicing rights and pension assets that are netted against deferred tax assets under US GAAP.

Details on additional tier 1 capital and tier 2 capital

end of 6M15	Balance sheet	Reference to balance sheet[1]	Regulatory adjustments	Total	Transition amount
Additional tier 1 capital (CHF million)					
Additional tier 1 instruments [2]	10,864	g	112[3]	10,976	10,976
Additional tier 1 instruments subject to phase-out [2]	2,391	h	1	2,392	2,392
Total additional tier 1 instruments					**13,368**
Deductions from additional tier 1 capital					
Goodwill					(4,900)[4]
Other intangible assets (excluding mortgage-servicing rights)					(58)[4]
Shortfall of provisions to expected losses					(158)
Gains/(losses) due to changes in own credit on fair-valued financial liabilities					(254)
Investments in own shares					(15)
Other deductions					(24)
Deductions from additional tier 1 capital					**(5,409)**
Additional tier 1 capital					**7,959**
Tier 2 capital (CHF million)					
Tier 2 instruments	6,496	i	(27)[5]	6,469	6,469
Tier 2 instruments subject to phase-out	4,675	j	(1,401)[6]	3,274	3,274
Total tier 2 instruments					**9,743**
Deductions from tier 2 capital					
Shortfall of provisions to expected losses					(158)
Deductions from tier 2 capital					**(158)**
Tier 2 capital					**9,585**

1
Refer to the balance sheet under regulatory scope of consolidation in the table "Balance sheet". Only material items are referenced to the balance sheet.
2
Classified as liabilities under US GAAP.
3
Includes the reversal of gains/(losses) due to changes in own credit spreads on fair valued capital instruments that will be deducted from CET1 once Basel III is fully implemented and a regulatory haircut for Contingent Capital Awards that qualify as additional tier 1 and high-trigger capital instruments for regulatory capital purposes.
4
Net of related deferred tax liability.
5
Includes the reversal of gains/(losses) due to changes in own credit spreads on fair valued capital instruments that will be deducted from CET1 once Basel III is fully implemented.
6

Primarily includes the impact of the prescribed amortization requirements as instruments move closer to their maturity.

Additional information

end of	6M15
Risk-weighted assets related to amounts subject to phase-in (CHF million) [1]	
Adjustment for accounting treatment of pension plans	2,208
Defined-benefit pension assets	511
Deferred tax assets	173
Risk-weighted assets related to amounts subject to phase-in	**2,892**
Amounts below the thresholds for deduction (before risk weighting) (CHF million)	
Non-significant investments in BFI entities	**3,018**
Significant investments in BFI entities	625
Mortgage servicing rights	77 [1]
Deferred tax assets arising from temporary differences	3,928 [1]
Exposures below 15% threshold	**4,630**

1

Net of related deferred tax liability.

49

List of abbreviations

A	
ABS	Asset-backed securities
ACVA	Advanced credit valuation adjustment approach
A-IRB	Advanced Internal Ratings-Based Approach
AMA	Advanced Measurement Approach
B	
BCBS	Basel Committee on Banking Supervision
BFI	Banking, financial and insurance
BIS	Bank for International Settlements
C	
CARMC	Capital Allocation Risk Management Committee
CCF	Credit Conversion Factor
CCO	Chief Credit Officer
CCP	Central counterparties
CDO	Collateralized Debt Obligation
CET1	Common equity tier 1
CLO	Collateralized Loan Obligation
CMBS	Commercial mortgage-backed securities
CMSC	Credit Model Steering Committee
CRM	Credit Risk Management
CRR	Credit Risk Review
CVA	Credit valuation adjustment
E	
EAD	Exposure at Default
EMIR	European Market Infrastructure Regulation
ERC	Economic Risk Capital
F	
FINMA	Swiss Financial Market Supervisory Authority FINMA
G	
G-SIB	Global systemically important banks
I	
IMA	Internal Models Approach
IMM	Internal Models Method
IRB	Internal Ratings-Based Approach
IRC	Incremental Risk Charge
L	
LGD	Loss Given Default
M	
MDB	Multilateral Development Banks
O	
OTC	Over-the-counter
P	
PD	Probability of Default
R	
RBA	Ratings-Based Approach
RMBS	Residential mortgage-backed securities
RNIV	Risks not in value-at-risk
RPSC	Risk Processes and Standards Committee
S	
SFA	Supervisory Formula Approach

SFT	Securities Financing Transactions
SMM	Standardized Measurement Method
SPE	Special purpose entity
SRW	Supervisory Risk Weights Approach
U	
US GAAP	Accounting principles generally accepted in the US
V	
VaR	Value-at-Risk

50

Cautionary statement regarding forward-looking information

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

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

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

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

– the ability to maintain sufficient liquidity and access capital markets;
– market volatility and interest rate fluctuations and developments affecting interest rate levels;
– the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2015 and beyond;
– the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
– adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
– the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
– the ability of counterparties to meet their obligations to us;
– the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
– political and social developments, including war, civil unrest or terrorist activity;
– the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
– operational factors such as systems failure, human error, or the failure to implement procedures properly;
– actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
– the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
– competition in geographic and business areas in which we conduct our operations;
– the ability to retain and recruit qualified personnel;
– the ability to maintain our reputation and promote our brand;
– the ability to increase market share and control expenses;
– technological changes;
– the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
– acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
– the adverse resolution of litigation, regulatory proceedings, and other contingencies;
– the ability to achieve our cost efficiency goals and cost targets; and
– our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk factors” in I – Information on the company in our Annual Report 2014.