Compensation

DEAR SHAREHOLDERS

In 2014, the environment for compensation regulation and practices was characterized by continued regional fragmentation in compensation related regulatory developments and significant divergence in compensation levels for comparable financial services functions between the US and Europe. In addition, unusual market conditions as reflected in unprecedented low interest rates and volatility, as well as further evolution in the capital rules, caused banking sector participants to reexamine their strategies. Against this backdrop, the Compensation Committee of the Board (Compensation Committee) and senior management continued to review and refine our compensation practices in pursuit of the right balance between meeting shareholders' expectations in terms of performance-based compensation, paying our employees competitively in line with the market, and responding appropriately to the regulatory environment.

Key developments in 2014

The Group strives for competitiveness by paying market-informed, competitive compensation levels for comparable roles and experience. The Compensation Committee uses the services of external compensation consultants to benchmark compensation levels against relevant peers. Taking into account geographical variations of pay levels for similar roles and responsibilities has become increasingly important in the last few years. More pronounced regulatory interventions within the EU have resulted in significant differences between Europe and the US, both in terms of structure (fixed versus variable pay) and absolute levels of compensation. Following a review of leading providers with particular emphasis on the ability to provide comprehensive access to performance and reward data within the financial services industry, the Compensation Committee appointed McLagan as new independent compensation adviser effective May 2014.

The Compensation Committee assessed the compensation-related implications of the Capital Requirements Directive IV (CRD IV) for our employees in EU locations. After obtaining the required approvals, the Compensation Committee supported a cap on variable compensation of two times fixed compensation for affected employees. In line with market practice, it also approved the introduction of fixed allowances based on the role and organizational responsibility of the employees, which are treated as fixed compensation for the purpose of calculating the referenced cap.

As indicated in last year's Compensation Report, there is emerging regulatory demand to extend the period of time during which variable compensation awards may be recovered beyond the respective dates of vesting and distribution to the employee. In line with this, the Prudential Regulation Authority (PRA) in the UK mandated in 2014 that all variable compensation awards granted to employees defined as "PRA Code Staff" after January 1, 2015, contain provisions enabling the Group to "claw back" compensation for seven years from the grant date. 2014 variable compensation granted to "PRA Code Staff" includes terms to comply with these extended clawback provisions.

In addition to these mandatory changes, the compensation structure for the Board of Directors (Board) was reviewed and modified. In the interest of transparency a more granular fee structure was introduced reflecting the respective roles and responsibilities of the Board members. Moreover, 2014 variable compensation for the Executive Board is based on the revised structure as outlined in the 2013 Compensation Report. Apart from this, the Compensation Committee decided to leave the compensation structure and applicable deferred compensation instruments for the broader employee population largely unchanged from 2013.

Compensation decisions in 2014

In 2014, the Group's revenues were in line with prior periods despite the challenging market conditions. Private Banking & Wealth Management achieved net new assets growth in line with our expectations and improved strategic results in terms of pre-tax income and cost/income ratio. Improved Investment Banking results for 2014 reflect the strength of our diversified franchise with stable revenues and increased capital efficiency. Investment Banking continued to make progress reducing risk-weighted assets and Swiss leverage exposure when denominated in US dollars, in the strategic and non-strategic units. Shared services functions provided a robust control environment, while supporting the business in the transition to new regulatory requirements, making significant progress on a number of major infrastructure projects.

Despite these notable achievements, the economic value of variable incentive compensation awarded for 2014 for the Group was 9% lower than in 2013, reflecting continued compensation discipline and stable reported pre-tax income, including the impact of the final settlement regarding all outstanding US cross-border matters.

Due to the substantial impact of the US cross-border settlement – the most significant and longstanding regulatory and litigation issue for Credit Suisse – both the Board and Executive Board agreed to a voluntary reduction to their compensation that would otherwise have been awarded to them for 2014. The total compensation for the Board was reduced by approximately 25% and the variable compensation for the Executive Board was reduced by the equivalent of 20% of the amount that would have otherwise been granted. This agreement reflected the view that the event should have consequences for the compensation of the Group's top supervisory and management bodies, in order to accept the collective responsibility these bodies bear in safeguarding the long-term reputation and professional integrity of the Group's businesses globally, regardless of which individuals serve as directors or officers within these bodies at any given time.

Consequently, the Board approved a 50% reduction in their share-based compensation for 2014, which is approximately 25% of their total compensation. For those members who were part of the Executive Board at the time of the settlement, a downward adjustment was applied equivalent to 20% of the amount that would have otherwise been granted as variable compensation for 2014. Of this amount, half was deducted from the amount that would have been awarded as long-term incentive (LTI) awards for 2014 and half was deducted from existing unvested LTI incentive awards granted for 2013. Including the voluntary adjustment, which was applied to LTI awards granted for 2014, the proposed Executive Board variable compensation for 2014 is 17% lower than the amount awarded for 2013.

Annual General Meeting of Shareholders 2015

In line with the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations (Compensation Ordinance) and the Group's Articles of Association (AoA), compensation of the Board and the Executive Board will be subject to binding shareholder votes for the first time at the 2015 Annual General Meeting of Shareholders (AGM). Accordingly, shareholders will be asked to approve:

- Executive Board aggregate variable compensation for the 2014 financial year (retrospective vote)
- Maximum aggregate fixed compensation for the Executive Board for the period 2015 AGM to 2016 AGM (prospective vote)
- Maximum aggregate compensation for the Board for the period 2015 AGM to 2016 AGM (prospective vote)

In reviewing various options to obtain shareholder approval, we concluded that a prospective vote is warranted for the compensation of the Board and all fixed compensation elements of the Executive Board. However, in the interest of "pay for performance" alignment, we decided to propose a retrospective vote on variable compensation for the Executive Board in the context of actual performance figures for the preceding financial years. Irrespective of these binding votes, we will continue to submit the entire Compensation Report for a consultative vote as was our practice in the past.

Focus areas in 2015

The Group is committed to responsible compensation practices with particular emphasis on ethics, risk, control and compliance as a basis for disciplined execution and the discouragement of excessive risk taking. In this context, the Compensation Committee will continue to closely monitor how risk and internal control considerations are captured in performance reviews and how the respective assessments affect compensation recommendations.

Furthermore, the effectiveness of malus and clawback provisions in our compensation plans will remain in the focus of the Compensation Committee in 2015. The recovery of compensation awards after vesting and distribution to the employee is unchartered territory in some jurisdictions. However, whenever necessary we will pursue the application of clawback to the full extent permitted under applicable law.

For 2015, the performance evaluation and the structure of Executive Board compensation will remain essentially similar to the approach for 2014.

The Compensation Committee will ensure full compliance with regulatory developments and will closely monitor market trends to maintain our competitive compensation structure in line with best practice.

Finally, the Compensation Committee is satisfied that this Compensation Report reflects the review process and determination of compensation for 2014. This Compensation Report is in line with the specific remuneration disclosure requirements issued by the Swiss Financial Market Supervisory Authority FINMA (FINMA). In the context of compensation for the Board and the Executive Board, the Compensation Report is in compliance with the respective provisions of the Compensation Ordinance. The activities of the Compensation Committee were executed in accordance with its mandate under the Credit Suisse Organizational Guidelines and Regulations and the Compensation Committee charter.

Jean Lanier
Chairman of the Compensation Committee
Member of the Board of Directors
March 2015

KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich

P.O. Box
CH-8026 Zurich

Telefon +41 58 249 31 31
Telefax +41 58 249 44 06
Internet www.kpmg.ch

Report of the Statutory Auditor to the General Meeting of Shareholders of

Credit Suisse Group AG, Zurich

We have audited the accompanying Compensation report dated March 20, 2015 of Credit Suisse Group AG (the "Group") for the year ended December 31, 2014. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (the "Ordinance") contained in the sections marked with (Audited) on pages 214 to 226 of the Compensation report.

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility
Our responsibility is to express an opinion on the accompanying Compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the Compensation report for the year ended December 31, 2014 of the Group complies with Swiss law and articles 14-16 of the Ordinance.

KPMG AG

Simon Ryder
Licensed Audit Expert
Auditor in Charge

Ralph Dicht
Licensed Audit Expert

Zurich, Switzerland
March 20, 2015

GROUP COMPENSATION

Compensation policy and objectives

The objectives of the Group's compensation policy include attracting and retaining employees, and motivating employees to achieve results with integrity and fairness. The compensation policy is designed to support a performance culture which fosters teamwork and collaboration. Furthermore, it aims to promote effective risk management practices consistent with the Group's compliance and control framework. The compensation policy takes into account the capital position and long-term performance of the Group and balances the fixed and variable compensation components to reflect the value and responsibility of the roles that employees perform. The objectives of the compensation policy are framed to achieve an appropriate balance between the interests of employees and shareholders in order to create sustainable value for the Group.

The compensation policy applies to all employees and compensation plans of the Group. It contains a detailed description of the Group's compensation principles and objectives as well as the compensation programs. It also sets out the standards and processes relating to the development, management, implementation and governance of compensation. The compensation policy adheres to the compensation principles set out by the Group's regulator in Switzerland, the FINMA, and the Group's other main regulators.

The compensation policy is reviewed regularly and endorsed by the independent Compensation Committee. The compensation policy, as well as periodic updates and revisions, is approved by the Board. The compensation policy is accessible to all employees and is published at www.credit-suisse.com/compensation.

Compensation Committee

The Compensation Committee is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing compensation for the Group and Executive Board for approval by the Board. In November 2013, the Swiss Federal Council approved the Compensation Ordinance, which came into effect on January 1, 2014. In accordance with the Compensation Ordinance and the modified AoA, beginning with the 2015 AGM, the shareholders will vote to approve the compensation of the Board and the Executive Board based on the proposals set forth by the Board. The Compensation Committee consists of at least three members of the Board, all of whom must be independent. The current members are Jean Lanier (chairman), Iris Bohnet, Andreas N. Koopmann and Kai S. Nargolwala. The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance and the FINMA, and the rules of the New York Stock Exchange (NYSE) and the Nasdaq Stock Market (Nasdaq) in determining that all of these individuals are independent.

‣ Refer to "Independence" in Corporate Governance – Board of Directors for more information on how the Group determines the independence of its Board members.

Advisers to the Compensation Committee

The Compensation Committee is authorized to retain outside advisers, at the Group's expense, for the purposes of providing guidance to the Compensation Committee as it carries out its responsibilities. Effective as of May 2014, McLagan, a management consulting firm specializing in the benchmarking of performance and reward data for the financial services industry, assists the Compensation Committee in ensuring that the Group's compensation program remains competitive, responsive to regulatory developments and in line with the compensation policy. Johnson Associates provided these advisory services until May 2014. McLagan has appointed a senior consultant to advise the Compensation Committee. This individual does not provide other services to the Group other than assisting the Compensation Committee. The law firm Nobel & Hug acts as external legal counsel to the Compensation Committee. Prior to their appointment, the Compensation Committee conducted an independence assessment of these advisers pursuant to the rules of the US Securities and Exchange Commission (SEC) and the listing standards of the NYSE and the Nasdaq.

Compensation Committee meetings and annual performance review

The Chairman of the Board (Chairman) and the Chief Executive Officer (CEO) may attend the Compensation Committee meetings, and the Compensation Committee chairman determines the attendance of other Board members, Executive Board members, senior management, compensation advisers and external legal counsel, as appropriate.

In January of each year, the Compensation Committee meets, with the Chairman and the CEO present, for the primary purpose of reviewing the performance of the Group, businesses and the respective management teams for the previous year. This provides the basis for a recommendation of the overall compensation pools for the business divisions and Shared Services functions for approval by the Board. During its annual performance review, the Compensation Committee considers input from the chairmen of the Risk and Audit Committees, who may also attend the Compensation Committee meeting in January. The Risk Committee provides input to the Compensation Committee with respect to risk considerations and the Audit Committee provides input with respect to internal control considerations. The Compensation Committee approves the compensation for the Head of Internal Audit after consulting with the Audit Committee chairman.

The Compensation Committee also considers input from the Group's internal control functions. Specifically this includes contributions from Risk Management, Legal and Compliance and Internal Audit, regarding control and compliance issues and any breaches of relevant rules and regulations or the Group's Code of Conduct. The Compensation Committee reviews the impact on the recommended amount of variable compensation of individuals who have been subject to the Group's disciplinary processes.

To meet regulatory guidelines regarding employees engaged in risk-taking activities, the Compensation Committee reviews and approves the compensation for employees identified as Material Risk Takers and Controllers (MRTC). The Risk Committee is involved in the review process for MRTC.

▸ Refer to "Material Risk Takers and Controllers" for further information.

During 2014, the Compensation Committee held 10 meetings, with the following focus areas:

- assessing the performance of the Group and determining the divisional compensation pools for recommendation to the Board;
- reviewing the level and composition of compensation for Executive Board members and members of the Board, taking into account the key issues raised by shareholders, the impact of the US cross-border settlement in May 2014 and emerging best practice among peer companies;
- monitoring global regulatory and market trends with respect to compensation at financial institutions and assessing the obligations imposed by the Compensation Ordinance;
- reviewing the approach for compensating employees subject to the CRD IV regulations;
- further enhancing the compensation process for Covered Employees (which include MRTC as well as certain other employees, as defined below) in line with regulatory guidance; and
- monitoring the link between employee behavior and compensation levels, including any impact of employee misconduct on compensation.

The Compensation Committee chairman maintains an active dialogue with the Group's principal regulators about compensation governance and plans. In addition, he engages with shareholders and their representatives regarding the compensation policy and plans.

Approval authority

The approval authorities for setting compensation policy and compensation for different groups of employees are defined in the Group's Organizational Guidelines and Regulations (OGR) and the Compensation Committee charter (available at www.credit-suisse.com/governance).

Board approval, based on the recommendation of the Compensation Committee, is required to:

- establish or amend the Group's compensation policy;
- establish or amend the compensation plans;
- determine the variable compensation pools for the Group and divisions;
- determine compensation for the Executive Board members, including the CEO, subject to the shareholder approval requirement pursuant to the Compensation Ordinance; and
- determine compensation of the Board, including the Chairman, subject to the shareholder approval requirement pursuant to the Compensation Ordinance.

Compensation Committee approval is required for compensation decisions with respect to:

- the Head of Internal Audit (in consultation with the Audit Committee chairman);
- MRTC; and
- other selected members of management.

Impact of regulation on compensation

Many of the Group's regulators, including FINMA, focus on compensation. The requirements of FINMA are set out in FINMA's Circular on Remuneration Schemes (Circular). Additionally, several regulators, including those in the US, the EU and the UK, impose requirements that differ from, or supplement, the FINMA requirements. Therefore, the Group's plans comply globally with the Circular and, to the extent local requirements differ from or supplement those standards, plans are adapted locally in the relevant jurisdiction. This generally results in additional terms, conditions and processes being implemented in the relevant locations. The Group continuously monitors regulatory and legislative developments in all applicable jurisdictions, as well as industry best practices in compensation and guidance issued by various regulatory bodies.

Pursuant to the Compensation Ordinance, compensation of the Board and the Executive Board is approved annually by the AGM either as a maximum aggregate amount or as maximum partial amounts for the respective compensation components.

The Compensation Committee assessed the implications of the CRD IV regulations. In accordance with these regulations, a cap on variable compensation of two times fixed compensation was implemented for applicable employees after obtaining the required approvals. We also introduced fixed allowances as a compensation component for applicable employees subject to the CRD IV regulations, in line with market practice. These fixed allowances are determined based on the role and organizational responsibility of the employees.

In July 2014, the PRA in the UK mandated that all variable compensation awards granted to employees that meet the definition of "PRA Code Staff" on or after January 1, 2015 contain provisions enabling the Group to clawback variable compensation for seven years from the grant date. These provisions were included in awards granted to "PRA Code Staff" in January 2015.

Determination of variable compensation pools

In determining the variable compensation pools (pools), the Compensation Committee aims to balance the distribution of the Group's profits between shareholders and employees. The primary measure of performance for determining the pools of the Group and business divisions is economic contribution. The methodology to determine the Group and divisional pools also takes into account key performance indicators (KPIs) and certain non-financial criteria, including risk and control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment.

Economic contribution is measured at both the Group and divisional levels as income before taxes and variable compensation expense, after deducting a capital usage charge that is calculated based on regulatory capital. Such regulatory capital is defined for the Investment Banking and Private Banking & Wealth Management divisions as the average of 10% of average divisional Basel III risk-weighted assets and 2.4% of average divisional leverage exposure, and regulatory capital is defined for the Group as the sum of both divisions. For this measure, the Group and divisional results exclude the funding valuation adjustments (FVA), significant litigation provisions and settlements as approved by the Compensation Committee, and the Group results also exclude fair value gains and losses from movements in own credit spreads. This measure of economic contribution considers the profitability of the divisions and the Group and the capital utilized to achieve this profitability. The Compensation Committee intends to achieve a more balanced distribution of economic contribution between employees and shareholders over the longer-term, subject to Group performance and market conditions.

The performance-based pools are determined on an annual basis, and accruals for the divisional and Group-wide pools are made throughout the year. The Compensation Committee regularly reviews the accruals and related financial information and applies adjustments in exceptional circumstances to ensure that the overall size of the pools is consistent with the Group's compensation objectives.

The total amount of the Shared Services pool is determined based on Group-wide financial performance, measured in the form of Group economic contribution and qualitative measures and is not linked to the performance of the particular divisions that the Shared Services employees support. Therefore, Shared Services employees, including those performing control functions, are remunerated independently from the performance of the businesses they oversee and support. As with the business divisions, risk, control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment, are taken into account. After the pool has been determined for the Shared Services functions, a deduction is applied to the pool of each business division, following a consistent allocation approach, to fund the pool for the employees of the Shared Services functions.

Once the pools have been set at the Group and divisional levels, each business division allocates its pool to its business areas, based on the same or similar factors as used to determine the divisional pool. Capital usage and risk are factored into the pools as they are allocated within business areas. Through this process, business area managers recognize that capital usage is a significant factor in determining the pool for the business area under their responsibility. The pools are allocated to line managers who award variable compensation to employees based on individual and business area performance, subject to the constraints of the pool size. The Shared Services pool is allocated to the various functions within Shared Services based on factors such as the achievement of performance objectives, compliance with policies and regulations, and market conditions.

Competitive benchmarking

The assessment of the economic and competitive environment is another important element of the compensation process as the Group strives for market-informed, competitive compensation levels. Internal expertise and the services of compensation consulting firms are used to benchmark compensation levels against relevant peers, taking into account geographical variations. The peer groups and relevant metrics used are reviewed annually by the Compensation Committee and tracked throughout the year.

The peer groups used in 2014 for the Group and the divisions are shown in the following table, along with the specific performance criteria used for assessing relative performance. Most of these peer companies mention Credit Suisse as one of their peers for the purposes of compensation benchmarking.

2014 peer groups and performance criteria[1]

Credit Suisse Group	
Peer group	Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura, Société Générale and UBS
Performance criteria	
Profitability and efficiency	Return on equity, pre-tax income margin and compensation/revenue ratio
Growth	Earnings per share growth, net revenue growth, net new assets growth and total assets under management growth
Capital and risk	Tier 1 ratio, look-through CET1 ratio, leverage ratio, Value-at-Risk and risk-weighted assets development
Shareholder satisfaction	Total shareholder return over one year, total shareholder return over two years and book value per share growth
Private Banking & Wealth Management	
Peer group	Allianz, BlackRock, Deutsche Bank, Goldman Sachs, HSBC, Julius Bär Group, JPMorgan Chase, Morgan Stanley and UBS
Performance criteria	
Profitability and efficiency	Pre-tax income margin, pre-tax income on assets under management and gross margin
Growth	Net revenue growth, pre-tax income growth and net new assets growth
Investment Banking	
Peer group	Bank of America, Barclays, Citigroup, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley and UBS
Performance criteria	
Profitability and efficiency	Pre-tax return on economic risk capital, pre-tax income margin and compensation/revenue ratio
Growth	Net revenue growth and pre-tax income growth
Capital and risk	Net revenue/Value-at-Risk

[1] The Credit Suisse Group and Investment Banking peer groups for 2014 remain unchanged compared to the peer groups used in the Annual Report 2013. Barclays was removed from the Private Banking & Wealth Management peer group for 2014 due to insufficient disclosure.

Focus on risk and control

Risk and control considerations are an integral part of the performance assessment and compensation processes. This ensures that the Group's approach to compensation includes a focus on risk and internal control matters and discourages excessive risk taking.

Role of control functions

In addition to the annual performance assessment conducted by their line managers, employees who have breached Group policies or procedures are subject to a review process by the Group's control functions, which impacts decisions about individual variable compensation awards. The control functions are independent from the businesses and include Legal and Compliance, Risk Management, Finance, Human Resources and Internal Audit. Regional disciplinary review committees include the input of the Group's control functions and make recommendations on disciplinary measures, as necessary. Such measures can include the reduction or elimination of the employee's variable compensation award for the current year and deferred compensation awards from prior years, in line with the applicable malus provisions. The Board's Audit and Risk Committees are periodically provided with information on the disciplinary cases and may give directional input regarding the appropriateness of disciplinary outcomes. The results of the disciplinary review committees' assessment and any disciplinary measures are communicated to the Compensation Committee, together with details of any impact on variable compensation.

Material Risk Takers and Controllers

MRTC include employees who, either individually or as a part of a group, are considered to have a potentially material impact on the Group's risk profile. The criteria for classifying individuals as MRTC for the Group are approved by the Board upon recommendation by the Compensation and Risk Committees.

Employees meeting one or more of the following criteria are identified as MRTC:

- members of the Executive Board;
- employees who report directly to a member of the Executive Board: i) in the business divisions, these include employees responsible for managing significant lines of business of the Group and members of divisional management committees; and ii) in the Shared Services functions of Internal Audit, Finance, Risk Management, Legal and Compliance and Talent, Branding and Centers of Excellence, these include senior control personnel who are responsible for monitoring individuals or groups of individuals who manage material amounts of risk for the Group;
- employees, either individually or as part of a group, with the ability to put material amounts of the Group's capital at risk (these include traders, and others who are authorized to manage, supervise or approve risk exposure that could have a material or significant effect on the Group's financial results);
- the top 150 paid employees across the Group (based on total compensation), regardless of seniority or function;
- all UK managing directors and other employees, who based on the significance of their functions in the UK and the potential impact of their risk-taking activities on the UK entities meet the "PRA Code Staff" definition of the Group's UK regulator, the PRA; and
- other individuals, whose roles, individually or as part of a group, have been identified as having a potential impact on the market, reputational or operational risk of the Group.

Compensation process for MRTC

MRTC are subject to heightened levels of scrutiny over the alignment of their performance and compensation. MRTC and their managers are required to incorporate risk considerations in their performance evaluations. This includes specifying the types of risk applicable to the individual employee when reviewing performance and subsequently setting risk-adjusted variable compensation. The types of risk considered vary by role and include reputational, credit, market, operational, liquidity, and legal and compliance risks. Risk is assessed in the context of both realized and potential risk outcomes.

Covered Employees

In response to requirements of the US Federal Reserve, the Group has identified two additional groups of US-based employees, who are also subject to the compensation processes that apply for MRTC. The broader group is collectively known as Covered Employees, and is comprised of:

- MRTC;
- all US-based revenue producers in Investment Banking; and
- all branch managers of the US Wealth Management Clients business within the Private Banking & Wealth Management division.

Malus provisions

All deferred compensation awards contain provisions that enable the Group to reduce or cancel the awards of employees whose individual behavior has had a materially detrimental impact on the Group.

Additional malus provisions apply that can be triggered in cases where the behavior or performance of the individual causes, or could cause:

- a material downturn in the financial performance or regulatory capital base of the Group, or any of its divisions or regions;
- a material failure of risk management, reputational harm, or other similar events; or
- a combination of the above, as determined by the Board at its sole discretion.

Performance share awards contain further provisions that can result in a downward adjustment or cancellation of the full balance of deferred awards, in the event of future negative business performance.

▸ Refer to "Compensation design" for further information on deferred compensation.

▸ Refer to "Performance share awards" for details of these awards and the performance-based malus provisions and to the table "Potential downward adjustments of performance share and STI awards" for specific downward adjustments that may be applied.

Clawback provisions

While malus provisions referenced above only affect deferred awards, recently enacted regulations require the introduction of additional provisions enabling the Group, subject to conditions, to claim back variable compensation even after vesting and distribution to the employee (clawback). The PRA in the UK was the first regulator to mandate that variable compensation granted to "PRA Code Staff" in 2015 is subject to clawback for seven years after the grant date.

Compensation design

The Group's total compensation approach comprises fixed and variable compensation. Fixed compensation includes base salary, which reflects seniority, experience, skills and market practice, and fixed allowances for certain employees. Variable compensation is awarded annually and is dependent on Group, divisional and individual performance. The percentage mix between fixed and variable compensation varies according to the employee's seniority, business and location.

Variable compensation for 2014 was awarded primarily in the form of unrestricted cash, share-based awards and Contingent Capital Awards (CCA). Share-based awards and CCA are deferred variable compensation instruments that vest and settle in the future as described further below.

Employee categories and components of total compensation for 2014

	Total compensation				
	Fixed compensation	Variable compensation			
			Deferred compensation[1]		
Employee category	Base salary	Unrestricted cash	Share awards	Performance share awards	Contingent Capital Awards
Managing directors and directors who are MRTC			28%	50%	22%
Other directors			79%		21%
Other MRTC			50%	50%	
Other employees with total compensation above CHF/USD 250,000			100%		
Employees with total compensation below CHF/USD 250,000					

[1] Deferred compensation is applicable to employees with total compensation of CHF/USD 250,000 or higher.

Base salaries

All employees are paid a base salary. Salary levels are based on the skills, qualifications and relevant experience of the individual, the responsibilities required by the role and external market factors.

Fixed Allowances

Fixed allowances were introduced in 2014 as a new component of compensation for "PRA Code Staff" and other employees identified as risk-takers under EU regulatory requirements. These fixed allowances were determined based on the role and organizational responsibility of the individuals. Subject to certain conditions, fixed allowances are deemed to be fixed compensation for the purposes of calculating the cap of variable compensation as required by the CRD IV. For 2014, fixed allowances were comprised of a cash component paid during 2014 and a share component subject to vesting over a period of three years and on-going employment.

Variable compensation and deferral rates

For 2014, variable compensation was paid in unrestricted cash unless the total compensation awarded to an employee for 2014 was greater than or equal to CHF 250,000 or the local currency equivalent (or USD 250,000 for employees whose total compensation is denominated in USD), in which case a portion was paid in unrestricted cash and the balance was deferred, vesting at a later date. The deferred portion was defined by a deferral table whereby the portion of deferred compensation increased with higher levels of total compensation. The deferred portion for 2014 ranged from 17.5% to 90% of variable compensation, unchanged from 2013, and the amount of variable compensation paid as unrestricted cash for 2014 was capped at CHF 2 million or the local currency equivalent (or USD 2 million for employees whose total compensation is denominated in USD) per employee. For 2014, 41,809 employees received variable compensation, representing 91% of total employees, of which 801 were classified as MRTC.

▸ Refer to "Number of employees awarded variable and other compensation" for further information.

Unrestricted cash

Generally, employees receive the cash portion of their variable compensation as unrestricted cash at a regular payroll settlement date close to the grant date.

Blocked share awards

To comply with CRD IV requirements, employees who hold key roles in respect of certain Group subsidiaries in the EU receive shares that are subject to transfer restrictions for 50% of the amount that would have been paid to them as unrestricted cash. These shares are vested at the time of grant but remain blocked, that is, subject to transfer restrictions, for six months to three years from the date of grant, depending on location.

Deferred variable compensation instruments

Share awards

Each share award entitles the holder of the award to receive one Group share at the delivery date. Share awards are designed to align the interests of employees and shareholders, as well as comply with the expectations of regulators that a substantial portion of variable compensation should be granted in this form.

Share awards vest over three years with one third of the award vesting on each of the three anniversaries of the grant date (ratable vesting). The number of share awards granted was determined by dividing the value of the deferred component of the variable compensation to be granted as share awards by the applicable share price of CHF 20.21, as approved by the Board of Directors in January 2015. The final value of the share awards is solely dependent on the share price at the time of delivery. Share awards granted since January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. A total of 7,583 employees were granted share awards for 2014.

Performance share awards

Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to explicit performance-based malus provisions. For employees in the business divisions, the malus provision applies in the event of a divisional loss or a negative strategic return on equity (ROE) of the Group, whichever results in a larger adjustment. For employees in Shared Services, the negative adjustment only applies in the event of a negative strategic ROE of the Group, and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted. Performance share awards for 2013 were based on underlying ROE, while performance share awards for 2014 were based on strategic ROE, in line with the change in the Group's reporting structure.

▸ Refer to "Core results" in the II – Operating and financial review for a summary of strategic results.

The amount of the potential negative adjustment for a loss at the divisional level, which is applicable to all outstanding performance share awards (including the short term incentive, STI) awards of Executive Board members who lead business divisions), is shown in the following table.

Potential downward adjustments of performance share and STI awards

Downward adjustment if division incurs a loss

Division pre-tax loss (in CHF billion)	Adjustment on award balance (in %)
(1.00)	(15%)
(2.00)	(30%)
(3.00)	(45%)
(4.00)	(60%)
(5.00)	(75%)
(6.00)	(90%)
(6.67)	(100%)

As in the case of share awards, performance share awards granted since January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. A total of 1,752 employees were granted performance share awards for 2014. Managing directors and almost all employees classified as MRTC received at least 50% of their deferred variable compensation in the form of performance share awards.

Contingent Capital Awards (CCA)

CCA are a form of deferred award that have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market, such as the high-trigger contingent capital instruments referred to as contingent convertible instruments. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents; for CCAs granted in January 2015 interest rate equivalents are paid until settlement at a rate of 4.85% per annum over the six-month Swiss franc London Interbank Offered Rate (LIBOR) for Swiss franc-denominated awards or 5.75% per annum over the six-month US dollar LIBOR for US dollar-denominated awards. This rate was set in line with market conditions at the time of grant and with existing high-trigger and low-trigger contingent capital instruments that the Group has issued. CCA are not traded in the debt markets. Employees who were awarded compensation in Swiss francs could elect to receive CCA denominated in Swiss francs or US dollars, and all other employees received CCA denominated in US dollars.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from grant. However, because CCA qualify as additional tier 1 capital of the Group, the timing and form of distribution upon settlement is subject to approval by FINMA. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by the Group. In the case of a cash settlement, the CCA award currency denomination will be converted into the local currency of each respective employee.

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

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

These terms are similar to those of the outstanding tier 1 high-trigger capital instruments that the Group has issued since 2011. However, unlike the Group's outstanding tier 1 high-trigger instruments, the CCA would not convert into common equity, but would be written down to zero upon a trigger event.

The Group intends in future years to continue to grant CCA as one of its annual deferred variable compensation awards. CCA will be utilized to align compensation with the maintenance of strong capital ratios, provide additional tier 1 capital, and reduce dilution to existing share capital that would otherwise be incurred with the issuance of share-based deferred compensation awards.

The total CCA awarded had a fair value of CHF 360 million and a total of 5,891 employees received CCA for 2014.

Other awards

The Group may employ other compensation plans or programs to facilitate competitive hiring practices and to support the retention of talent. These variations from the standard approach apply to a small population of employees where specific circumstances justify special compensation arrangements. For 2014, this applied to approximately 295 employees. These variations from the standard approach must be approved by the Compensation Committee.

The Group also pays commissions to employees operating in specific areas of the business, in line with market practice. These commissions are calculated based on formulas, and are reviewed regularly to ensure that they remain at competitive levels.

Limitations on share-based awards

The Group prohibits employees from entering into transactions to hedge the value of outstanding share-based awards. Employee pledging of unvested share-based awards is also prohibited, except with the express approval of the Compensation Committee. The Group applies minimum share ownership requirements, inclusive of unvested awards, for members of the divisional and regional management committees, as follows:

- Executives responsible for Private Banking & Wealth Management and Investment Banking: 50,000 shares; and
- Executives responsible for Shared Services functions: 20,000 shares.

▸ Refer to "Minimum share ownership requirements" in Executive Board Compensation for further information on minimum share ownership requirements for Executive Board members.

Total compensation awarded

The following table shows the value of total compensation awarded to employees for 2014 and 2013.

Total compensation awarded

For			2014			2013
	Unrestricted	Deferred	Total	Unrestricted	Deferred	Total
Fixed compensation (CHF million)						
Salaries	5,417	89	5,506	5,525	–	5,525
Social security	793	–	793	778	–	778
Other	657 [1]	–	657	800 [1]	–	800
Total fixed compensation	**6,867**	**89**	**6,956**	**7,103**	**–**	**7,103**
Variable incentive compensation (CHF million)						
Unrestricted cash	1,653	–	1,653	1,570	–	1,570
Share awards	36	642	678	18	827	845
Performance share awards	–	529	529	–	663	663
Contingent Capital Awards	–	360	360	–	391	391
Other cash awards	–	54	54	–	142	142
Total variable incentive compensation	**1,689**	**1,585**	**3,274**	**1,588**	**2,023**	**3,611**
Other variable compensation (CHF million)						
Cash severance awards	176	–	176	150	–	150
Sign-on awards	13	58	71	18	62	80
Cash-based commissions	220	–	220	198	–	198
Total other variable compensation	**409**	**58**	**467**	**366**	**62**	**428**
Total compensation awarded (CHF million)						
Total compensation awarded	**8,965**	**1,732**	**10,697**	**9,057**	**2,085**	**11,142**
of which guaranteed bonuses [2]	–	–	51	–	–	55

[1] Includes pension and other post-retirement expense of CHF 361 million and CHF 490 million in 2014 and 2013, respectively.
[2] Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Total compensation awarded for 2014 was CHF 10.7 billion, down 4% compared to 2013, with reductions in fixed compensation and share awards. Total variable incentive compensation awarded for 2014 was CHF 3.3 billion, down 9% compared to 2013. Of the total variable incentive compensation awarded across the Group for 2014, 48% was deferred and subject to certain conditions including future service, performance, market and malus criteria.

Cash severance awards relating to terminations of employment of CHF 189 million and CHF 263 million were paid in 2014 and 2013 to 1,552 and 2,189 employees, respectively. Sign-on awards of CHF 13 million and CHF 18 million were paid to 102 and 83 employees in 2014 and 2013, respectively.

Number of employees awarded variable and other compensation

	MRTC [1]	Other employees	2014 Total	MRTC [1]	Other employees	2013 Total
Number of employees awarded variable compensation						
Variable compensation	**801**	**41,008**	**41,809**	**503**	**41,220**	**41,723**
of which unrestricted cash	801	41,008	41,809	503	41,220	41,723
of which share awards	789	6,794	7,583	486	7,077	7,563
of which performance share awards	764	988	1,752	461	1,230	1,691
of which Contingent Capital Awards	767	5,124	5,891	470	5,209	5,679
or which other cash awards	63	230	293	62	283	345
Number of employees awarded other variable compensation						
Cash severance awards	6	1,546	1,552 [2]	3	2,186	2,189 [2]
Sign-on awards	13	203	216	6	166	172
Cash-based commissions	–	357	357	0	369	369
Guaranteed bonuses	9	129	138	9	132	141

[1] Excludes individuals who may have been classified as MRTC according to regulatory requirements of jurisdictions outside of Switzerland, particularly US-based revenue producers in Investment Banking and branch managers of the US Wealth Management Clients business within the Private Banking & Wealth Management division, who were classified as Covered Employees by the US Federal Reserve, and PRA Code Staff.
[2] Includes employees who received cash severance awards for termination of employment as of December 31, 2014 and 2013.

Compensation awarded to Material Risk Takers and Controllers

The 801 employees classified as MRTC were awarded total compensation of CHF 1,644 million for 2014 and total variable compensation of CHF 1,134 million for 2014, of which CHF 943 million, or 83%, was deferred. MRTC received 50% of their deferred compensation for 2014 in the form of performance share awards or other awards which are subject to performance-based malus provisions. The number of employees classified as MRTC in 2014 increased compared to 2013, primarily as a result of all UK managing directors being classified as "PRA Code Staff".

Compensation awarded to Material Risk Takers and Controllers

For	Unrestricted	Deferred	2014 Total	Unrestricted	Deferred	2013 Total
Fixed compensation (CHF million)						
Total fixed compensation	**492**	**–**	**492**	**247**	**–**	**247**
Variable incentive compensation (CHF million)						
Unrestricted cash	191	–	191	138	–	138
Share awards	–	278	278	–	255	255
Performance share awards	–	426	426	–	407	407
Contingent Capital Awards	–	191	191	–	177	177
Other cash awards	–	48	48	–	125	125
Total variable incentive compensation	**191**	**943**	**1,134**	**138**	**964**	**1,102**
Other variable compensation (CHF million)						
Cash severance awards	5	–	5	1	–	1
Sign-on awards	–	13	13	0	5	5
Cash-based commissions	–	–	–	0	–	0
Total other variable compensation	**5**	**13**	**18**	**1**	**5**	**6**
Total compensation (CHF million)						
Total compensation	**688**	**956**	**1,644**	**386**	**969**	**1,355**
of which guaranteed bonuses [1]	2	5	7	3	11	14

[1] Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Group compensation and benefits expense

Compensation and benefits expenses recognized in the current year income statement include salaries, fixed allowances, variable compensation, benefits and employer taxes on compensation. Variable compensation expense mainly reflects the unrestricted cash compensation for the current year, amortization of deferred compensation awards granted in prior years, and severance, sign-on and commission payments. Deferred variable compensation granted for the current year is expensed in future periods during which it is subject to future service, performance, malus criteria and other restrictive covenants.

In 2014, total compensation and benefits expenses were stable compared to 2013, as higher variable compensation expense, related to higher amortization expense from deferred compensation awards granted in prior years, was largely offset by lower salary expense, reflecting our cost efficiency initiatives.

Group compensation and benefits expense

in			2014			2013
December 31	Current compen-sation	Deferred compen-sation	Total	Current compen-sation	Deferred compen-sation	Total
Fixed compensation expense (CHF million)						
Salaries	5,417	18	5,435	5,525	–	5,525
Social security [1]	793	–	793	778	–	778
Other	657 [2]	–	657	800 [2]	–	800
Total fixed compensation expense	**6,867**	**18**	**6,885**	**7,103**	**–**	**7,103**
Variable incentive compensation expense (CHF million)						
Unrestricted cash	1,653	–	1,653	1,570	–	1,570
Share awards	36	921 [3]	957	18	814 [3]	832
Performance share awards	–	611	611	–	590	590
Contigent Capital Awards	–	214	214	–	–	–
Capital Opportunity Facility Awards	–	13	13	–	–	–
Plus Bond awards	–	36	36	–	37	37
2011 Partner Asset Facility awards [4]	–	7	7	–	77	77
Adjustable Performance Plan share awards	–	–	–	–	31	31
Adjustable Performance Plan cash awards	–	–	–	–	4	4
Restricted Cash Awards	–	92	92	–	145	145
Scaled Incentive Share Units [5]	–	(3)	(3)	–	41	41
Incentive Share Units [5]	–	–	–	–	(3)	(3)
2008 Partner Asset Facility awards [4]	–	87	87	–	93	93
Other cash awards	–	404	404	–	434	434
Discontinued operations	–	(8)	(8)	(6)	(21)	(27)
Total variable incentive compensation expense	**1,689**	**2,374**	**4,063**	**1,582**	**2,242**	**3,824**
Other variable compensation expense (CHF million)						
Severance payments	152	–	152	113	–	113
Sign-on payments	13	–	13	18	–	18
Commissions	221	–	221	198	–	198
Total other variable compensation expense	**386**	**–**	**386**	**329**	**–**	**329**
Total compensation expense (CHF million)						
Total compensation expense	**8,942**	**2,392**	**11,334** [6]	**9,014**	**2,242**	**11,256** [6]

[1] Represents the Group's portion of employees' mandatory social security.
[2] Includes pension and other post-retirement expense of CHF 361 million and CHF 490 million in 2014 and 2013, respectively.
[3] Includes CHF 19 million and CHF 23 million of compensation expense associated with other share awards granted in 2014 and 2013, respectively.
[4] Includes the change in the underlying fair value of the indexed assets during the period.
[5] Includes forfeitures.
[6] Includes severance and other compensation expense relating to headcount reductions of CHF 275 million and CHF 216 million in 2014 and 2013, respectively.

Group estimated unrecognized compensation expense

The following table shows the estimated compensation expense that has not yet been recognized through the income statement for deferred compensation awards granted for 2014 and prior years that were outstanding as of December 31, 2014, with comparative information for 2013. These estimates were based on the fair value of each award on the grant date, taking into account the current estimated outcome of relevant performance criteria and estimated future forfeitures. No estimate has been included for future mark-to-market adjustments.

Group estimated unrecognized compensation expense

in	Deferred compensation		2014	Deferred compensation		2013
	For 2014	For prior-year awards	Total	For 2013	For prior-year awards	Total
Estimated unrecognized compensation expense (CHF million)						
Share awards	643	762 [1]	1,405	823	804 [1]	1,627
Performance share awards	533	231	764	660	221	881
Contingent Capital Awards	418	210	628	433	–	433
Capital Opportunity Facility awards	–	5	5	–	–	–
Plus Bond awards [2]	–	4	4	–	18	18
Adjustable Performance Plan share awards	–	–	–	–	11	11
Adjustable Performance Plan cash awards	–	–	–	–	13	13
Restricted Cash Awards	–	41	41	–	136	136
Other cash awards	55	166	221	136	111	247
Estimated unrecognized compensation expense	**1,649**	**1,419**	**3,068**	**2,052**	**1,314**	**3,366**

1 Includes CHF 39 million and CHF 39 million of estimated unrecognized compensation expense associated with other share awards granted to new employees in 2014 and 2013, respectively, not related to prior years.
2 Represents share awards reallocated to Plus Bond awards through the employee voluntary reallocation offer, with vesting in 2016, after consideration of estimated future forfeitures.

▸ Refer to “Discontinued compensation plans” for descriptions of the awards granted in years prior to 2014.

Impact of share-based compensation on shareholders’ equity

In general, the income statement expense recognition of share-based awards on a pre-tax basis has a neutral impact on shareholders’ equity because the reduction to shareholders’ equity from the expense recognition is offset by the obligation to deliver shares, which is recognized as an increase to equity by a corresponding amount. Shareholders’ equity includes, as additional paid-in capital, the tax benefits associated with the expensing and subsequent settlement of share-based awards.

Prior to 2011, the Group covered its share delivery obligations to employees primarily by purchasing shares in the market. When the Group purchases shares from the market to meet its share delivery obligations, these purchased shares reduce equity by the amount of the purchase price.

For the period 2011-2013, share delivery obligations were covered mainly through issuances of shares from conditional capital. In the second half of 2013, the Group resumed purchasing shares in the market to cover a portion of its share delivery obligations. In 2014, the majority of the Group’s share delivery obligations was covered through market purchases. Currently, the Group intends to cover the majority of its future share delivery obligations through market purchases.

Share-based awards outstanding

At the end of 2014, there were 133.2 million share-based awards outstanding, including 77.1 million share awards, 48.2 million performance share awards, and 7.3 million Adjustable Performance Plan share awards. The remaining balance consisted of other awards relating to prior years that are no longer part of current compensation plans.

The number of shares issued as of the end of 2014 was 1,607 million. Additionally, the Group had 550 million shares available to support contingent capital instruments, including 499 million shares relating to high-trigger capital instruments already issued in the market that must convert into common equity pursuant to certain trigger events under their terms, including if the CET1 ratio falls below 7% or upon a non-viability event.

These instruments increase loss-absorbing regulatory capital without diluting shareholders’ equity at the time of their issuance. The number of outstanding share-based awards represented 6.2% of shares both issued and potentially issuable in respect of contingent capital instruments as of the end of 2014. The Group intends to continue to use CCA in future years as part of its compensation program, partly in lieu of share-based awards. The Group’s intention is to decrease the number of outstanding share-based awards to approximately 5% of shares issued and potentially issuable over the long term.

Subsequent activity

In early 2015, the Group granted approximately 37.2 million new share awards and 30.7 million new performance share awards with respect to performance in 2014. In lieu of granting additional share awards in 2015, the Group awarded CHF 360 million of deferred variable compensation in the form of CCA (equivalent to approximately 17.8 million share-based awards, had they been granted).

In the first half of 2015, the Group plans to settle 65.1 million deferred awards from prior years, including 35.8 million share awards, 22.5 million performance share awards, 6.8 million Adjustable Performance Plan share awards. The Group plans to meet this delivery obligation through market purchases and intends to use available conditional capital only to support the equity position of the Group in the event that the look-through CET1 ratio appears likely to fall short of the Basel III capital requirements as implemented by the "Swiss Too Big to Fail" legislation.

▸ Refer to "Regulatory capital and ratios – Group" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – BIS Capital Metrics for more information.

Value changes of outstanding deferred awards

Employees experience changes to the value of their deferred compensation awards during the vesting period due to both implicit and explicit value changes. Implicit value changes primarily reflect market driven effects, such as changes in the Group share price, changes in the value of the Capital Opportunity Facility (COF), CCA and underlying Plus Bond assets or foreign exchange rate movements. Explicit value changes reflect risk adjustments triggered by malus provisions related to negative performance in the performance share awards, positive or negative performance for the Adjustable Performance Plan share awards or the malus provisions in all deferred awards. The final value of an award will only be determined at settlement.

▸ Refer to "Discontinued compensation plans" for further information on COF, CCA, Plus Bond and Adjustable Performance Plan awards.

The following table provides a comparison of the fair values of outstanding deferred compensation awards at the end of 2013 and 2014, respectively, indicating the value of changes due to implicit and explicit adjustments. For 2014, the change in fair value for all outstanding deferred compensation awards was primarily due to implicit adjustments driven by changes in the Group share price, foreign exchange rate movements and changes in the value of the COF and CCA during the period.

Fair value of outstanding deferred compensation awards

		Change in value		
in / end	2013	Implicit	Explicit	2014
Share-based awards (CHF per unit)				
Share awards granted for 2011 [1]	27.3	(2.2)	0.0	25.1
Share awards granted for 2012 [2]	27.3	(2.2)	0.0	25.1
Share awards granted for 2013 [3]	28.1	(3.0)	0.0	25.1
Performance share awards granted for 2011 [1]	27.3	(2.2)	0.0	25.1
Performance share awards granted for 2012 [2]	27.3	(2.2)	0.0	25.1
Performance share awards granted for 2013 [3]	28.1	(3.0)	0.0	25.1
Adjustable Performance Plan share awards	30.2	(2.2)	0.8	28.8
Cash-based awards (CHF per unit)				
2008 Partner Asset Facility awards (PAF)	2.01	0.39	0.00	2.40
Adjustable Performance Plan cash awards granted for 2010	1.05	0.12	0.03	1.20
Plus Bond awards granted for 2012 [2]	1.02	0.40	0.00	1.42
Contingent Capital Award for 2013 [3]	1.00	0.11	0.00	1.11
Contingent Capital Award from converted PAF2 award	1.00	0.13	0.00	1.13
Capital Opportunity Facility from converted PAF2 award	1.00	0.16	0.00	1.16

[1] Represents awards granted in January 2012 for 2011.
[2] Represents awards granted in January 2013 for 2012.
[3] Represents awards granted in January 2014 for 2013.

EXECUTIVE BOARD COMPENSATION

Governance

Compensation payable to the Executive Board members, including the CEO, is approved by the Board, based on the recommendation of the Compensation Committee. The compensation of the Executive Board is approved annually at the AGM either as a maximum aggregate amount or as maximum partial amounts for the respective compensation components pursuant to the Compensation Ordinance. In determining its recommendation to the Board, the Compensation Committee assesses the performance of the Executive Board members, including the CEO, based on actual performance compared to pre-defined individual objectives and targets.

Basis of determining compensation for Executive Board members

For 2014, the Compensation Committee defined both individual target levels of incentive compensation, and individual caps, both expressed as a multiple of base salary, limiting the total amount of compensation that may be awarded. The Compensation Committee also established financial and non-financial performance criteria for each Executive Board member, including the CEO, which were published in the 2013 Annual Report – Compensation section.

In determining the compensation targets and caps, competitive market levels of compensation for each individual role, with reference to the relevant group of peers were taken into account. The market data on executive compensation levels was provided to the Compensation Committee by Johnson Associates, which was the compensation adviser at the time the 2014 targets and caps were set.

▸ Refer to "Competitive benchmarking" in Group compensation for a list of peer groups.

The criteria used to assess the individual performance of the Executive Board members consist of pre-defined objective financial measures consistent with the Group's KPIs, as well as qualitative factors. The Compensation Committee has discretion to recommend to the Board that the incentive awards resulting from this performance assessment be adjusted by a factor of up to plus or minus 20%. The Board is committed to aligning incentive compensation with challenging performance criteria, and this element of flexibility enables the Board to determine the final individual awards after taking into account prevailing market conditions among other factors. This discretion is limited by the individual cap levels described above, and total Executive Board incentive compensation is also subject to the overall cap of 2.5% of Group strategic net income.

Performance evaluation for 2014

In January 2015, the Compensation Committee completed its performance evaluation for the 2014 financial year for the Group and the individual assessments of the Executive Board members. The Compensation Committee compared the outcome of the financial measurements to the pre-defined targets for 2014 as set out in the 2013 Compensation Report, excluding significant litigation provisions and settlements as approved by the Compensation Committee as well as fair value gains and losses from movements in own credit spreads, FVA and adjustments to risk-weighted assets due to methodology changes.

The CEO presented a qualitative assessment of the individual performance of each Executive Board member, which was then reviewed by the Compensation Committee. In the case of the CEO, the qualitative assessment was carried out by the Compensation Committee in consultation with the Chairman of the Board. The financial performance criteria for 2014 shown in the table below encompass the performance against profitability and cost targets, as well as progress towards the wind-down of non-strategic positions. The progress of the wind-down of non-strategic units was measured based on the achievement of reduction targets for risk-weighted assets and Swiss leverage exposure, as well as the attainment of non-strategic pre-tax income targets. The qualitative assessment took into account financial performance in areas that did not specifically form part of the previously defined quantitative financial targets, as well as non-financial elements of performance at the Group and divisional levels.

▸ Refer to II – Operating and financial review for a description of strategic and non-strategic results.

2014 performance against targets

2014 Targets		Divisional head		Shared Services head		2014 Performance against Targets		
		PB&WM	IB	CFO	Other	Below	Target	Above
Financial performance criteria (60% weighting)								
Group								
ROE (after tax) – strategic results [1, 2]	12.5%	30%	30%	25%	25%		●	
Cost/income ratio – strategic results [1, 2]	71.0%	–	–	15%	20%		●	
Wind-down of non-strategic units	35.0% year-on-year reduction of risk-weighted assets (2.5% weighting) and leverage exposure (2.5% weighting) and achievement of budgeted non-strategic pre-tax income (5% weighting) [3, 4, 5]	–	–	10%	–		●	
Divisional								
Wind-down of non-strategic units (IB)	35.0% year-on-year reduction of risk-weighted assets (2.5% weighting) and leverage exposure (2.5% weighting) and achievement of budgeted non-strategic pre-tax income (5% weighting) [2, 3]	–	10%	–	–		●	
Return on regulatory capital (IB) [2, 6]	11.3% [7]	–	20%	–	–		●	
Wind-down of non-strategic units (PB&WM)	35.0% year-on-year reduction of risk-weighted assets (2.5% weighting) and leverage exposure (2.5% weighting) and achievement of budgeted non-strategic pre-tax income (5% weighting) [3, 5]	10%	–	–	–		●	
Cost/income ratio (PB&WM) [5]	69.0%	20%	–	–	–		●	
Divisional total operating expenses	2014 budget expenses on a foreign exchange neutral basis	–	–	10%	15%		●	
Non-financial criteria (40% weighting)								
Business and infrastructure development	Compensation Committee assessment of strategy execution, business development, performance of businesses and regions and delivery of major projects	15%	15%	15%	15%			●
Other performance	Compensation Committee assessment of capital strength, human capital management, control/operational/reputational risk management, involvement in client activities, partnership and firm focused behavior	25%	25%	25%	25%			●

PB&WM – Private Banking & Wealth Management; IB – Investment Banking
[1] Refer to "Core Results" in II – Operating and financial review for further information on strategic results.
[2] Excludes FVA of CHF (279) million, of which CHF (108) million are strategic and CHF (171) million are non-strategic.
[3] Risk-weighted assets in 2013 are adjusted for methodology changes implemented in the first quarter 2014.
[4] Non-strategic pre-tax income is based on reported results, excluding fair value gains from movements in own credit spreads of CHF 545 million and FVA of CHF (171) million.
[5] Based on reported results, excluding Private Banking & Wealth Management litigation expenses of CHF 1,618 million due to the final settlement of all US cross-border matters.
[6] Calculated using income after tax denominated in USD; assumes tax rate of 30% and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[7] Beginning in the second quarter 2014, the majority of the balance sheet usage related to a portfolio of high-quality liquid assets managed by the Treasury function and previously recorded in the Corporate Center has been allocated to the business divisions. Investment Banking's return on regulatory capital has been revised to reflect the impact of this change on the division's Swiss leverage exposure.

Financial performance evaluation

At the Group level, the Compensation Committee noted the weakening of the profitability indicators in 2014, while the non-strategic results improved compared to the prior year. Reported core pre-tax income of CHF 3.2 billion in 2014 was down 8% compared to 2013, reflecting higher operating expenses which included the impact of the US cross-border settlement in May, partly offset by higher revenues. Excluding the impact from FVA, the Group's strategic after-tax return on equity in 2014 was 12.4%, slightly below the target return of 12.5%, reflecting the Group's focus on a strengthened capital base. Excluding the impact from FVA, the Group's strategic cost/income ratio in 2014 was 72.1% compared to the target of 71.0%, reflecting lower net revenues. The Group made good progress in winding down its non-strategic positions in 2014, achieving a 35% reduction in risk-weighted assets and a 25% decrease in Swiss leverage exposure compared to the prior year, and slightly below the year-end blended reduction target of 35%. Despite these achievements, non-strategic operating results were also slightly below target, mainly due to additional litigation provisions.

In Private Banking & Wealth Management, the cost/income ratio for 2014, excluding the US cross-border settlement charge of CHF 1,618 million, was 69.7% compared to a target of 69.0%, reflecting lower revenues from lower performance fees and lower net interest income. Strategic pre-tax income improved by 3% compared to 2013, due to a 5% reduction in expenses driven by significant efficiency improvements that was partly offset by lower revenues. The non-strategic unit also made good progress during the year in comparison to the prior year, with risk-weighted assets reduced by 4% and Swiss leverage exposure reduced by 48%, exceeding the year-end blended reduction target of 35%, as well as on target non-strategic operating results.

In Investment Banking, the return on regulatory capital excluding FVA was 8.8% compared to a target of 11.3%, reflecting the continued impact from the non-strategic unit. In addition the Compensation Committee acknowledged the 17% return on regulatory capital delivered by the strategic businesses in 2014, which reflected improved capital efficiency and stable revenues of CHF 13.1 billion. The Investment Banking non-strategic unit made significant progress in winding-down capital positions when compared to the prior year, reducing risk-weighted assets by 51% and Swiss leverage exposure by 27%, exceeding the year-end blended reduction target of 35%. This measure was more than offset by the higher than expected loss in the non-strategic unit.

For the Shared Services functions, the Compensation Committee acknowledged the robust control environment combined with cost discipline and efficiency gains, while transitioning the business to new regulatory requirements, making significant progress on a number of major infrastructure projects. This was reflected in the achievement of lower total operating expenses when compared to the budgeted expenses for 2014, exceeding the target for the year.

▸ Refer to "Core results", "Private Banking & Wealth Management", "Investment Banking" and "Corporate Center" in II – Operating and financial review for discussions of the individual line items.

Non-financial performance evaluation

In connection with the non-financial performance criteria, the Compensation Committee, in conjunction with evaluations provided by the CEO, assessed the business and infrastructure development in terms of strategy execution, performance of the businesses and regions and delivery of major projects.

In regards to the business and infrastructure related criteria, the Compensation Committee recognized the continued strong efforts to reshape the businesses in response to the evolving environment.

Within the Private Banking & Wealth Management division, special consideration was given to the launch of a number of growth initiatives such as the lending program for the ultra-high-net-worth-individuals client segment, where loan volumes grew 39% in 2014. In addition, the Private Banking & Wealth Management division had several new product initiatives and strategies in place to expand the business into growing regions in order to counter the impact of the negative interest rate environment. 2014 was a critical year for digital innovation for the division. The development of the Digital Private Banking is expected to streamline our existing infrastructure and to deliver a global, unified and cutting-edge digital private banking experience to our clients. The Private Banking & Wealth Management division saw net new assets grow 3.5% in 2014, making good progress towards the long-term target. The Compensation Committee acknowledged these achievements as well as the high return on regulatory capital of 29% achieved by the strategic business in 2014.

In the Investment Banking division, the Compensation Committee recognized the division's stable revenues despite the challenging and volatile market environment. The division has seen a broad-based increase in client activity across many of the businesses and played key roles in landmark initial public offerings (IPOs), advancing to number four in global IPO rankings. The division has been recognized around the world with a number of additional important rankings and awards. Furthermore, the Compensation Committee assessed the progress achieved in terms of other performance criteria such as capital strength, human capital management, risk management and building a strong compliance culture. The Compensation Committee recognized the progress made towards achieving a more balanced allocation of capital between our Private Banking & Wealth Management and Investment Banking divisions in order to improve operating efficiency and drive returns. Both divisions progressed in the winding-down of the non-strategic operations and reducing their capital consumption. The Private Banking & Wealth Management division completed the sale of the domestic private banking business booked in Germany and the sale of the local affluent and upper affluent business in Italy, both notable milestones for the division. The Investment Banking division sold the commodities trading portfolio which is reducing capital consumption in the division and it is expected to continue to improve our capital efficiency as the sale is completed. On the Group level, strong consideration was given to reaching the Basel III look-through CET1 ratio of 10.1% by year-end 2014 given the increasingly stringent regulatory environment.

For the Shared Services functions, the Compensation Committee recognized the significant progress in the global legal entity restructuring project, substantial rationalization of IT applications which reduced levels of complexity and operational risk while aligning to business and regulatory needs, and the delivery of new platforms and system initiatives. In addition, the Compensation Committee acknowledged the ongoing strong focus on the Group's human capital strategy, which resulted in considerable progress in the reduction of involuntary attrition and early tenure attrition. During the year, an increase in the female population across all corporate titles was also achieved and continued progress made in internal hiring in line with our 'grow your own' strategy, which helped foster internal career development.

With respect to internal control, compliance and risk management considerations, the Compensation Committee was provided with input from the Audit and Risk Committees. The Compensation Committee acknowledged the good efforts made throughout the Group to improve the internal control environment through various measures, including compliance training, raising awareness about business conduct behaviors, improved risk management practices and the implementation of an enhanced operational risk framework.

In terms of operating efficiency, the Group achieved cost savings of CHF 3.5 billion as of year-end 2014, compared to the adjusted run rate cost base for the first half of 2011, measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses as well as variable compensation expenses. This cost efficiency program is expected to achieve the target of over CHF 4.5 billion cost savings by year-end 2015. Furthermore, an additional 3,200 deployments to the Centers of Excellence were completed during 2014 showing a continued strong momentum in building global talent and services.

2014 targets and caps for Executive Board members

	Target levels		Cap levels	
	Range for Executive Board members	CEO	Range for Executive Board members	CEO
Multiples of base salaries				
Short-term awards				
Unrestricted cash	0.3 – 0.8	0.5	0.6 – 1.4	0.8
Short-term incentive award	0.5 – 1.3	0.8	0.9 – 2.1	1.2
Long-term incentive award	0.8 – 2.1	1.4	1.5 – 3.5	2.0

Executive Board compensation for 2014 (audited)

	Variable compensation				Fixed compensation				
in	Unrestricted cash	Value of STI awards	Value of LTI awards [1]	**Total variable compensation**	Salaries and fixed allowances	Dividend equivalents [2]	Pension and similar benefits and other benefits [3]	**Total fixed compensation**	**Total compensation** [4]
2014 (CHF million, except where indicated)									
11 members	7.94	13.98 [5]	17.18	**39.10**	19.45	2.98	2.53	**24.96**	**64.06**
% of total compensation	12%	22%	27%		30%				
of which CEO: Brady W. Dougan	1.52	2.28	3.05	**6.85**	2.50	0.32	0.03	**2.85**	**9.70**
% of total compensation	16%	24%	31%		26%				

1 The LTI awards are net of CHF 4.7 million as part of the voluntary downward adjustment to the Executive Board compensation awards for 2014 resulting from the final settlement of all US cross-border matters. These awards vest over a five-year period, payable on the third, fourth and fifth anniversaries of the grant date. The final value at settlement depends on the achievement of pre-defined performance criteria linked to the average relative total shareholder return and average strategic return on equity.

2 Share awards granted prior to January 1, 2014 carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years and were delivered in cash, consistent with dividends paid on actual shares.

3 Other benefits consist of housing allowances, expense allowances, child allowances and a carried interest award in certain alternative investment funds with a fair value at the time of grant of CHF 1.8 million awarded to Robert S. Shafir. The initial value of this award is determined by making assumptions about the return that will be realized on the funds over their lifetime of up to fifteen years. For the total compensation awarded to members of the Executive Board, the Group made payments of CHF 4.3 million in 2014 and CHF 4.7 million in 2013 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Executive Board members based on their domicile and employment status. These contributions do not form part of the Executive Board members' compensation.

4 Does not include CHF 8.6 million of charitable contributions made by the Group for the allocation of which the CEO and three other Executive Board members were able to make recommendations.

5 STI awards for 2014 comprise CHF 13.15 million performance shares as well as CHF 0.83 million granted as blocked shares and performance shares to the Executive Board members who were categorized as PRA Code Staff, including the Executive Board member who is no longer on the Executive Board. The applicable Group share price for all share awards was CHF 20.21.

Compensation decisions

Based on the evaluation of the Group, divisional and individual performance, the Board agreed with the Compensation Committee's conclusion that overall, the Executive Board members had met their financial performance targets and significantly exceeded their non-financial targets for 2014. The Board approved the Compensation Committee's recommendations on the amount of incentive compensation to be awarded, subject to an adjustment relating to the US cross-border settlement.

Due to the substantial impact of the US cross-border settlement, the Board and Executive Board agreed to a voluntary reduction to the amounts of compensation that would otherwise have been awarded for 2014. The total compensation for the Board was reduced by approximately 25% and the variable compensation for the Executive Board was reduced by the equivalent of 20% of the amount that would have otherwise been granted. This agreement reflects the view that the event should have consequences for the compensation of the Group's top supervisory and management bodies, in order to accept the collective responsibility these bodies bear in safeguarding the long-term reputation and professional integrity of the Group's business globally, regardless of which individuals serve as directors or officers within these bodies at any given time.

In line with this voluntary agreement, the Compensation Committee applied a reduction affecting the members that were part of the Executive Board at the time of the settlement. The total value of downward adjustment was CHF 9.0 million, equivalent to 20% of the amount that would have otherwise been granted to such members of the Executive Board as variable compensation for 2014. Of such amount, CHF 4.7 million was deducted from the amount that would have been awarded as LTI awards for 2014 and CHF 4.3 million was deducted from existing unvested LTI awards granted for 2013. The deduction was applied equally to the 2014 and 2013 LTI awards, except for the one Executive Board member who did not hold existing unvested LTI awards granted for 2013, in which case the entire 20% was deducted from the amount that would have otherwise been awarded as LTI awards for 2014.

Including the voluntary adjustment, the aggregate amount of variable incentive compensation proposed by the Board for approval by the shareholders at the AGM totaled CHF 39.1 million for 2014, 17% lower than the CHF 47.4 million awarded in 2013. Including the voluntary adjustment, which was applied to LTI awards granted for 2014, the proposed variable incentive compensation for the individual members of the Executive Board averaged 5.7% above the individual target amounts and 38% below the individual caps. The components of the awards granted are shown in the "Executive Board compensation for 2014" table.

▸ Refer to "Executive Board Compensation proposed for approval at the 2015 AGM" in Executive Board compensation for more information.

2014 performance against targets for CEO

2014 Targets		CEO	2014 Performance against Targets		
			Below	Target	Above
Financial performance criteria (60% weighting)					
Group					
ROE (after tax) – strategic results [1, 2]	12.5%	30%		●	
Cost/income ratio – strategic results [1, 2]	71.0%	20%		●	
Wind-down of non-strategic units	35.0% year-on-year reduction of risk-weighted assets (2.5% weighting) and leverage exposure (2.5% weighting) and achievement of budgeted non-strategic pre-tax income (5% weighting) [3, 4, 5]	10%		●	
Non-financial criteria (40% weighting)					
Business and infrastructure development	Compensation Committee assessment of strategy execution, business development, performance of businesses and regions and delivery of major projects	15%			●
Other performance	Compensation Committee assessment of capital strength, human capital management, control/operational/reputational risk management, involvement in client activities, partnership and firm focused behavior	25%			●

1 Refer to "Core Results" in II – Operating and financial review for further information on strategic results.
2 Excludes FVA of CHF (279) million, of which CHF (108) million are strategic and CHF (171) million are non-strategic.
3 Risk-weighted assets in 2013 are adjusted for methodology changes implemented in the first quarter 2014.
4 Non-strategic pre-tax income is based on reported results, excluding fair value gains from movements in own credit spreads of CHF 545 million and FVA of CHF (171) million.
5 Based on reported results, excluding Private Banking &Wealth Management litigation expenses of CHF 1,618 million due to the final settlement of all US cross-border matters.

2014 total compensation of the CEO and highest paid Executive Board member

In its recommendation to the Board regarding incentive compensation for the CEO Mr. Dougan, who was also the highest paid Executive Board member, the Compensation Committee, in consultation with the Chairman, considered the solid financial position of the Group in 2014. Excluding the impact from FVA, the Group achieved a strategic after-tax return on equity of 12.4% in 2014 with continued momentum on strategy execution despite the challenging and volatile market conditions faced by the divisions and increasingly stringent regulatory environment. Excluding the impact from FVA, the Group's strategic cost/income ratio was 72.1% in 2014 compared to the target of 71.0%, reflecting lower net revenues. The Group made good progress in winding down its non-strategic positions in 2014, achieving a 35% reduction in risk-weighted assets and a 25% decrease in Swiss leverage exposure compared to the prior year, and slightly below the year-end blended reduction target of 35%. Despite these achievements, non-strategic operating results were also slightly below target, mainly due to additional litigation provisions. The Compensation Committee also considered the achievement of capital targets, in particular under Mr. Dougan's leadership, the achievement of Basel III look-through CET1 ratio of 10.1% at year-end 2014, exceeding the 10.0% year-end target. Furthermore, the Group improved its look-through Swiss leverage ratio to 3.9% at year-end 2014 from 3.7% at year-end 2013, approaching the FINMA requirement of 4.1% applicable in 2019. The Compensation Committee also recognized the progress made towards achieving the Group's challenging target of over CHF 4.5 billion in cost savings by year-end 2015. In terms of strategy execution, the Compensation Committee noted the growth and improvement of the strategic franchises with both divisions looking to innovative solutions for long-term sustainable business models. They also noted the strong emphasis on the reduction of risk-weighted assets and Swiss leverage exposure especially the divestitures and sales which were notable milestones helping the Group's progress towards winding these businesses down. As a particular achievement in 2014, the Compensation Committee acknowledged Mr. Dougan's strong leadership in managing the US cross-border settlement and its consequences. Given the strong performance of Mr. Dougan during 2014, the Board approved the recommendation of the Compensation Committee to award Mr. Dougan unrestricted cash of CHF 1.52 million, a STI award of CHF 2.28 million and a LTI award of CHF 3.05 million after the voluntary downward adjustment, representing, in aggregate, 101% of his target compensation set for 2014.

Executive Board compensation for 2013

	Variable compensation				Fixed compensation				
in	Unrestricted cash	Value of STI awards	Value of LTI awards [1]	**Total variable compen-sation**	Salaries and fixed allowances	Dividend equivalents [2]	Pension and similar benefits and other benefits [3]	**Total fixed compen-sation**	**Total compen-sation** [4]
2013 (CHF million, except where indicated)									
9 members	3.93	21.86 [5]	21.58	**47.37**	14.08	2.74	0.58	**17.40**	**64.77**
% of total compensation	6%	34%	33%		22%				
of which CEO: Brady W. Dougan	0.69	2.77	3.46	**6.92**	2.50	0.36	0.01	**2.87**	**9.79**
% of total compensation	7%	28%	35%		26%				

1 The LTI awards totaling CHF 21.58 million initally awarded does not reflect the voluntary downward adjustment of CHF 4.3 million to the Executive Board compensation resulting from the final settlement of all US cross-border matters, which is applied against LTI awards granted for 2013. These awards vest over a five year period, payable on the third, fourth and fifth anniversaries of the grant date. The final value at vesting depends on the achievement of pre-defined performance criteria linked to the average relative total shareholder return and average strategic return on equity.

2 Share awards granted prior to January 1, 2014 carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years and were delivered in a combination of cash and shares, consistent with dividends paid on actual shares.

3 Other benefits consist of housing allowances, expense allowances and child allowances.

4 Does not include CHF 4.8 million of charitable contributions made by the Group for the allocation of which the CEO and three other Executive Board members were able to make recommendations.

5 STI awards for 2013 comprise CHF 20.56 million performance shares as well as CHF 1.3 million granted as blocked shares and performance shares to the Executive Board members who were categorized as PRA Code Staff, including the Executive Board member who is no longer on the Executive Board. The applicable Group share price for all share awards was CHF 28.78.

Changes to the Executive Board composition in 2014

Joachim Oechslin became a member of the Executive Board effective January 1, 2014. James L. Amine and Timothy P. O'Hara became members of the Executive Board on October 1, 2014 at which time Eric Varvel ceased to be an Executive Board member. For the period of the year during which these four individuals were Executive Board members, compensation was determined and awarded in line with the Executive Board compensation structure described below. The compensation amounts attributable to the period of the year during which they were Executive Board members are included in the Executive Board Compensation for 2014 table above.

2014 compensation structure

The annual 2014 base salary was CHF 2.5 million for the CEO, CHF 1.5 million for Executive Board members based in Switzerland and USD 1.5 million for Executive Board members based in the US and the UK, which remained unchanged from the prior year.

For 2014, the incentive compensation granted to each Executive Board member prior to the LTI awards downward adjustment consisted of:

- 20% as unrestricted cash payment, except for PRA Code Staff, who received 10% in the form of unrestricted cash and 10% in the form of blocked share awards;
- 30% as STI awards in the form of a deferred performance share award with cliff vesting after three years; and
- 50% as LTI awards in the form of both shared-based awards and CCA in equal portions, with vesting on the third, fourth and fifth anniversaries of the grant date, subject to pre-defined performance conditions.

An overview of the vesting timeline for the Executive Board short-term and long-term award plans is shown in the chart "Key features of Executive Board compensation – 2014". These awards are described in more detail below.

Three of the individuals who served on the Executive Board during part or all of 2014 qualified as PRA Code Staff for 2014. A portion of their compensation was awarded as a fixed allowance, which was taken into consideration when variable compensation was determined.

Key features of Executive Board compensation – 2014

Approach	Composition			Vesting timeline (payout in year after grant)	Key features
▪ Compensation decisions are based on pre-defined **financial and non-financial performance criteria** ▪ **Individual target and cap levels** for incentive compensation ▪ **Cap on aggregate incentive compensation awarded** to Executive Board members (2.5% of Group strategic net income) ▪ **80% deferred**, and final amounts subject to **performance-based vesting criteria and malus provisions**	50%	STI awards	Cash: **20%**	Full award at grant	Unrestricted cash, except for PRA Code Staff, who will receive 10% in unrestricted cash and 10% in blocked share awards
			Performance share award: **30%**	Year 3: Full award cliff vested	In addition to malus provisions, a negative formula-based adjustment is applied to all outstanding awards, subject to the profitability of the Group and divisions
	50%	LTI awards	Share-based award: **25%**	Year 3: ⅓; Year 4: ⅓; Year 5: ⅓	The amount payable at vesting for all LTI awards ranges from 0 to 200% of the grant value and will be determined based on: ▪ Total shareholder return relative to peers, based on a rolling average over three years (primary metric) ▪ Average ROE compared to targets on strategic results (secondary metric)
			Contingent Capital Award (CCA): **25%**	Year 3: ⅓; Year 4: ⅓; Year 5: ⅓	The CCA tranche is loss-absorbing and subject to write-down based on the Group's capital position

Year 1 2 3 4 5

Types of awards

Unrestricted cash

Unrestricted cash awards are payable in cash after grant. The awards are intended to recognize the Executive Board members' performance for the most recent prior year.

Short-term incentive (STI) award

STI awards are granted in the form of performance share awards, and are scheduled to cliff vest on the third anniversary of the grant date, subject to the same performance conditions as the performance share awards granted to managing directors and ◎ MRTC. Performance share awards related to performance for years prior to 2014 are deferred ratably over three years with one third of the award vesting on each of the three anniversaries of the grant date.

▸ Refer to "Performance share awards" in Group compensation for performance-based adjustment criteria.

More specifically, for the heads of the divisions reporting a pre-tax loss, the full balance of their unvested STI awards are reduced by 15% per CHF 1 billion of loss and the calculation of the reduction is performed on a pro-rata basis, based on the actual loss amount. If the Group reports a negative strategic ROE, the full balance of their unvested STI awards are reduced by a percentage amount equal to the negative strategic ROE. In the case of both a negative strategic ROE and a divisional pre-tax loss, the negative adjustment applied will be equal to the larger figure of the negative strategic ROE or 15% per CHF 1 billion of pre-tax loss.

For the CEO and Executive Board members who lead a Shared Services function, the malus provision for negative performance will affect outstanding awards only if the Group has a negative strategic ROE.

▸ Refer to "Potential downward adjustments of performance shares and STI awards" in Group compensation for specific downward adjustments to be applied.

Long-term incentive (LTI) award

LTI awards are deferred over a period of five years and vest in three equal tranches, one on each of the third, fourth and fifth anniversaries of the grant date, subject to satisfying pre-defined performance vesting conditions. The amount due at vesting is determined based on the following performance criteria and conditions, which are measured on a tranche-by-tranche basis over the three calendar years preceding the year in which vesting occurs:

- Average of the Relative Total Shareholder Return (RTSR) achieved during each of the three years prior to vesting, calculated by reference to the average total shareholder return achieved by a group of peer firms, is the primary performance metric; and
- Average strategic ROE achieved during the three years prior to vesting compared to the strategic ROE targets set for the respective years acts as a further adjustment, increasing or decreasing the amount payable by up to 25%.
- The amount payable at vesting of each tranche is subject to an overall cap of 200% of the initial LTI award value for that tranche.

RTSR is the Group's total shareholder return compared to the average total shareholder return of peers. Total shareholder return is equal to the appreciation or depreciation of a particular share, plus any dividends, over a given three-year period, expressed as a percentage of the share's value at the beginning of the three-year measurement period. The peer group used for the RTSR calculation is the same group of twelve peer firms shown in the "2014 peer groups and performance criteria" table. The RTSR achievement level can increase or decrease the amount scheduled to vest on a sliding scale basis and is subject to a cap as follows:

- Achievement of average RTSR of 150% (where the Group RTSR is 50% greater than that of the peer group) or greater results in a maximum upward adjustment of 100% (cap) for such a tranche;
- Achievement of average RTSR of 100% (where the Group RTSR is the same as that of the peer group) results in an LTI payout that equals the grant value for such tranche (no upward or downward adjustment);
- Achievement of RTSR of 50% (where the Group RTSR falls 50% below that of the peer group) or below results in the total forfeiture of such tranche (downward adjustment of 100%); and
- Achievement of average RTSR between 50% and 150% of that of the peer group results in an upward or downward adjustment between negative 100% and positive 100%, applied on a sliding scale basis.

Following the RTSR calculation above, the amount payable is subject to a further upward or downward adjustment of up to 25%, depending on the average strategic ROE achieved during the three years prior to vesting compared to the pre-defined strategic ROE targets for the corresponding three-year period. The maximum upward adjustment of 25% applies if the average strategic ROE achieved is 200% of the target. The ROE adjustment, however, cannot increase the amount payable beyond the overall cap equal to 200% of the initial award.

For 2014, 50% of the LTI was structured as a share-based award. The initial number of shares is determined at the time of grant and is adjusted based on the RTSR and ROE over the three year period prior to vesting.

For 2014, 50% of the LTI was delivered as CCA. This element of the LTI has the same terms as CCA awarded to managing directors and directors, except for the vesting and performance metrics, which are the same as those applicable to share-based LTI awards described above. LTI awards granted as CCA entitle recipients to semi-annual cash payments of interest-equivalents until settlement, but would be written down to zero if the CCA trigger events described above occur. At the time of settlement, the Group, at its discretion, may deliver a contingent capital instrument or a cash payment based on the fair value of the CCA.

Malus and clawback provisions

All deferred compensation awards of Executive Board members are subject to the same malus provisions as all employees with deferred compensation as well as the additional malus provisions that apply to Covered Employees. Consistent with the newly issued PRA guidelines, all variable compensation granted to PRA Code Staff as of or after January 1, 2015 is also subject to clawback. In addition, there are performance-based malus provisions for the STI award and specific performance targets for the LTI award.

▸ Refer to "Malus provisions" and "Clawback provisions" in Group compensation for more information.

Other aspects of Executive Board compensation

Charitable contributions

Consistent with the prior three years, the Compensation Committee approved contributions which will benefit eligible registered charities. The total amount approved for charitable contributions was CHF 8.6 million for 2014. The CEO and three other members of the Executive Board during 2014 were able to make recommendations in respect of the allocation of the 2014 contributions to various specific charities.

Minimum share ownership requirements

The Group applies minimum share ownership requirements for members of the Executive Board as follows:

- CEO: 350,000 shares; and
- Other Executive Board members: 150,000 shares.

The thresholds include all Group shares held by or on behalf of these executive employees, including unvested share-based awards. All affected executive employees are restricted from selling shares, or from receiving their share-based awards in the form of cash, until they fulfill the minimum share ownership requirements. The Group prohibits all employees from entering into transactions to hedge the value of unvested share-based awards. Pledging of unvested deferred awards by Executive Board members is also not permitted unless expressly approved by the Compensation Committee.

Cash settlement of share awards

The terms of all past and future share-based awards granted to the Executive Board were amended in 2014 to enable election of settlement in cash or shares. The Executive Board members are permitted to elect, at a predefined date in advance of settlement, to receive their vested share-based awards in the form of shares, cash or 50% in the form of shares and 50% in cash, in each case based on the Group share price at the time of settlement. An election to receive cash is subject to reversal if at the time of settlement the Group share price is less than 75% of the share price at the time of election. The timing and pricing of settlement will be the same as under the previous award plan and as under the plans of the non-Executive Board population. This change does not affect deferred share-based awards to non-Executive Board members, which will continue to be settled in the form of Group shares.

Contract lengths, termination and change in control provisions

All members of the Executive Board have employment contracts with the Group which are valid until terminated. The notice period for termination of employment by either the Group or the respective Executive Board member is six months. In the event of termination, there are no contractual provisions that allow for the payment of severance awards to Executive Board members. Predefined conditions for all employees apply for the payment of outstanding deferred compensation awards, depending on whether the termination of employment was voluntary, involuntary or the result of a change in control. There are no other contracts, agreements or arrangements with the members of the Executive Board that provide for other types of payments or benefits in connection with termination of employment that are not generally available to other employees of the Group.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Board upon recommendation of the Compensation Committee with the aim of maximizing shareholder value, subject to circumstances and prevailing market conditions. There are no provisions in the employment contracts of Executive Board members or any other pre-determined arrangements that require the payment of any type of extraordinary benefits, including special severance awards, in the case of a change in control.

Former Executive Board members

Generally, former members of the Group's most senior executive body who no longer provide services to the Group are still eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees or other forms of compensation were paid to former members of the Executive Board who no longer provided services to the Group during 2014.

Executive Board shareholdings and loans

Executive Board shareholdings

The table "Executive Board holdings and values of deferred share-based awards by individual" discloses the shareholdings of the Executive Board members, their immediate family and companies in which they have a controlling interest, as well as the value of the unvested share-based compensation awards held by Executive Board members as of December 31, 2014.

The value of share-based compensation awards granted to Executive Board members in prior years varies depending on the Group share price and other factors influencing the fair value of the award. The cumulative value of these unvested share-based awards as of December 31, 2014 was on average 1% lower than at the grant date value of the awards.

As of December 31, 2014, the outstanding cash-based deferred compensation awards granted to certain Executive Board members in prior years were the 2008 Partner Asset Facility, the Plus Bond awards, the COF, CCA and the 2012 and 2013 LTI awards. The cumulative value of such cash-based awards at their grant dates was CHF 62 million compared to CHF 70 million as of December 31, 2014.

Executive Board holdings and values of deferred share-based awards by individual

end of	Number of owned shares [1]	Number of unvested share awards	Number of owned shares and unvested share awards	Number of unvested SISUs	Value of unvested awards at grant (CHF)	Current value of unvested awards (CHF)
December 31, 2014						
Brady W. Dougan	641,334	326,139	967,473	–	8,074,202	8,179,566
James L. Amine	79,131	522,755	601,886	–	13,505,094	13,110,695
Gaël de Boissard	249,617	506,289	755,906	–	13,485,853	12,697,728
Romeo Cerutti	96,887	169,842	266,729	–	4,158,932	4,259,637
David R. Mathers	32,146	287,055	319,201	–	7,031,063	7,199,339
Hans-Ulrich Meister	318,484	321,385	639,869	–	7,948,267	8,060,336
Joachim Oechslin	–	64,060	64,060	–	1,595,094	1,606,625
Timothy P. O'Hara	–	664,016	664,016	–	17,154,283	16,653,521
Robert S. Shafir	617,053	386,794	1,003,847	–	9,439,287	9,700,794
Pamela A. Thomas-Graham	–	158,139	158,139	–	3,857,930	3,966,126
Total	**2,034,652**	**3,406,474**	**5,441,126**	**–**	**86,250,005**	**85,434,367**
December 31, 2013						
Brady W. Dougan	1,221,334	416,540	1,637,874	38,051	12,176,651	12,396,697
Gaël de Boissard	107,329	536,014	643,343	31,283	16,187,272	15,470,189
Romeo Cerutti	136,344	231,491	367,835	11,636	6,128,891	6,630,073
Tobias Guldimann	–	258,127	258,127	14,545	6,907,523	7,435,765
David R. Mathers	17,469	387,642	405,111	7,565	9,422,493	10,777,295
Hans-Ulrich Meister	189,478	417,112	606,590	23,273	11,248,886	12,009,299
Robert S. Shafir	617,053	532,112	1,149,165	31,160	14,344,561	15,360,428
Pamela A. Thomas-Graham	–	216,875	216,875	7,191	5,461,314	6,110,280
Eric M. Varvel	–	286,098	286,098	27,735	9,597,358	8,558,226
Total	**2,289,007**	**3,282,011**	**5,571,018**	**192,439**	**91,474,949**	**94,748,252**

[1] Includes shares that were initially granted as deferred compensation and have vested.

Executive Board loans (audited)

The majority of loans outstanding to Executive Board members are mortgages or loans against securities. Such loans are made on the same terms available to employees under the Group's employee benefit plans. Each Executive Board member may be granted individual credit facilities or loans up to a maximum of CHF 20 million. As of December 31, 2014, 2013 and 2012, outstanding loans to Executive Board members amounted to CHF 5 million, CHF 10 million and CHF 8 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2014 was four and three, respectively, and the highest loan outstanding was CHF 3 million to Joachim Oechslin.

All mortgage loans to Executive Board members are granted either with variable or fixed interest rates over a certain period. Typically, mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin, and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. The same credit approval and risk assessment procedures apply to Executive Board members as for other employees. Unless otherwise noted, all loans to Executive Board members were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees. These loans did not involve more than the normal risk of collectability or present other unfavorable features.

▸ Refer to "Banking relationships and related party transactions" in Corporate Governance for further information.

2015 targets, caps and performance criteria

The targets, caps and performance criteria to be applied in 2015 are based on the framework and approach used for the 2014 performance year.

Similar to 2014, the performance criteria for 2015 encompass the achievement of profitability and cost targets, as well as progress towards the wind-down of the non-strategic operations in light of the current operating environment. The progress of the wind-down of the non-strategic operations will be measured based on the achievement of reduction targets for risk-weighted assets and leverage exposure and the attainment of pre-tax income targets. The Compensation Committee will also evaluate measures relating to the execution of the Group's strategy, development of the businesses, delivery of major infrastructure projects and other specific performance measures for each individual.

The target levels of compensation and the specific levels for each metric at which target levels of compensation are achieved will be determined based on the 2015 financial plan of the Group approved by the Board. The 2015 financial plan specifies performance targets and metrics for floor, target and cap performance levels. These factors will form the basis for the Compensation Committee's evaluation of 2015 performance against targets and its proposal of 2015 Executive Board variable compensation. The overall cap on total Executive Board incentive compensation for 2015 will be 2.5% of strategic Group net income. The individual variable compensation caps have been either maintained or reduced as multiples of base salaries for 2015, with cash awards ranging from 0.4 to 1.3 times salary, STI awards ranging from 0.6 to 1.9 times base salary and LTI awards ranging from 1.0 to 3.2 times base salary. The variable compensation caps as multiples of base salary for the CEO remain unchanged compared to 2014. For 2013 and 2014, the Compensation Committee had in its recommendations to the Board the explicit discretion to adjust incentive awards resulting from the performance assessment against financial and non-financial targets by a factor of plus or minus 20%. This discretion was not used in the context of the Executive Board compensation for 2014 and the Compensation Committee and the Board decided not to apply this explicit 20% discretion going forward.

Executive Board compensation proposed for approval at the 2015 AGM

Pursuant to the Compensation Ordinance and the AoA, the AGM approves on an annual basis the compensation of the Executive Board, based on a proposal by the Board. The Board may propose that a maximum aggregate amount or maximum partial amounts of compensation components for the Executive Board be approved at the AGM in advance or retroactively for the defined period described in the proposal. Accordingly, the Board will submit the following proposals to the shareholders at the 2015 ordinary AGM:

Approval of the Executive Board aggregate variable compensation for the 2014 financial year

The Board proposes that the shareholders approve an aggregate amount of variable compensation to be awarded to members of the Executive Board for the financial year 2014 of CHF 39.1 million. The total amount is comprised of unrestricted cash and deferred STI and LTI awards and reflects the performance achieved for 2014, as specified in the sections "Performance evaluation for 2014", "2014 Performance against target", "Executive Board compensation for 2014", and "2014 performance against targets for CEO". The proposed amount excludes any legally required employer contributions to social security systems.

Approval of the Executive Board aggregate fixed compensation for the period from the 2015 AGM to the 2016 AGM

The Board proposes to approve an aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2015 AGM to the 2016 AGM of no more than CHF 32 million. The total amount of fixed compensation is comprised of base salaries, fixed allowances for members of the Executive Board qualifying as "PRA Code Staff", dividend equivalents (payable for unvested deferred share awards granted before 2014 only), and pension and similar benefits. The proposed amount excludes any legally required employer contributions to social security systems.

2015 compensation structure

The proposed annual base salary included in the AGM vote on fixed compensation for the Executive Board will be CHF 3.0 million for the CEO, CHF 2.0 million for the Executive Board members based in Switzerland and USD 2.0 million for Executive Board members based in the US and the UK. As of December 31, 2014, two of the Executive Board members qualified as "PRA Code Staff" for 2015 and will therefore receive a portion of the compensation as a fixed allowance of CHF 5.8 million in total.

For the 2015 compensation structure, a slight amendment will be made in comparison to the structure applicable for 2014 compensation. The STI awards will be delivered in the form of CCA instead of performance share awards, and the LTI awards will be delivered in shares only, rather than a combination of shares and CCA. Accordingly, the variable compensation for each Executive Board member for 2015 will consist of:

- 20% as unrestricted cash payment, except for "PRA Code Staff", who will receive 10% in the form of unrestricted cash and 10% in the form of blocked share awards;
- 30% as STI awards in the form of CCA with cliff vesting on the third anniversary of the grant date; and
- 50% as LTI awards in the form of share awards with vesting on the third, fourth and fifth anniversaries of the grant date, subject to pre-defined performance vesting conditions.

BOARD OF DIRECTORS COMPENSATION

Governance

The governance of the compensation to members of the Board is set forth in the AoA and in the OGR. The annual compensation paid to members of the Board, including the Chairman, is approved by the Board, based on the recommendation of the Compensation Committee for the 12-month period from the current AGM to the following year's AGM. For the first time at the AGM 2015, the total aggregate amount of Board compensation is subject to approval by the shareholders pursuant to the Compensation Ordinance. In the case of the Chairman's compensation and the additional fees for the committee chairmen, the Board member concerned does not participate in the recommendation involving his or her own compensation.

Changes to the Board composition in 2014

At the 2014 AGM, Peter Brabeck-Letmathe and Walter B. Kielholz stepped down from the Board and Severin Schwan and Sebastian Thrun were elected as new members of the Board.

Basis of determining compensation for the Board

Board members are compensated on the basis of fees, which reflect the respective Board member's role, time commitment and scope of responsibility on the Board. The fee amounts are set at levels to attract and retain highly qualified and experienced individuals and take into consideration levels at comparable leading Swiss companies. During 2014, the Board adopted a revised fee structure for members of the Board. Key changes include the harmonization of the base board fees, a more granular fee structure for committee participation and fixed chair fees for the Chairman and the three committee chairmen, which reflects the greater responsibility and considerable time dedicated to fulfilling these leadership roles. Except for the full-time Chairman, all members of the Board receive an annual base board fee of CHF 250,000. Board members also receive annual committee fees for each committee membership as shown in the table below.

Fees paid to Board members are in the form of cash and Group shares, which are blocked for a period of four years. This ensures that the interests of Board members are closely aligned to the interests of shareholders.

Membership fees

Membership	Annual fee (in CHF)
Board of Directors – base fee	250,000
Audit Committee	150,000
Chairman's and Governance Committee	100,000
Compensation Committee	100,000
Risk Committee	100,000

Compensation of the Chairman

The Chairman is paid an annual base board fee in cash (12 monthly payments) plus a chair fee in Group shares. For 2014, the base board fee of the Chairman was CHF 2.5 million and the chair fee was CHF 1.0 million. The total compensation paid to the Chairman reflects his full-time status and active role in shaping the Group's strategy, governing the Group's affairs, engaging with the CEO and senior management and with stakeholders. The Chairman coordinates the Board's activities, works with the committee chairmen to coordinate the tasks of the committees and ensures that Board members are provided with sufficient information to perform their duties. The Chairman drives the Board agenda on key topics such as the strategic development of the Group, succession planning and the structure and organization of the Group. The Chairman also steers the agenda on compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the shareholder meetings and takes an active role in representing the Group to regulators and supervisors, key shareholders, investors, and other stakeholders. Moreover, he is a member of several industry associations on behalf of the Group. He is a member of the board of directors of the Institute of International Finance and chairs the Institute's Special Committee on Effective Regulation. Until the end of 2014, the Chairman was also a member of the group of experts on the further development of the financial market strategy appointed by the Swiss Federal Council.

Compensation of the Lead Independent Director and the Vice-Chairs

Noreen Doyle, as Lead Independent Director and Vice-Chair, and Richard E. Thornburgh as Vice-Chair do not receive additional compensation for these roles. Both individuals are members of the Chairman's and Governance Committee, however, for which they receive an annual committee fee of CHF 100,000.

Compensation of the committee chairmen

Jean Lanier, Richard E. Thornburgh and John Tiner, each in the role of committee chairman of the Compensation, Risk and Audit Committees, respectively, receive chair fees, reflecting the greater responsibility and time commitment required to perform the role of a committee chairman, which is considered to be a significant part-time role. For 2014, the chair fee was CHF 200,000 for the chairman of the Compensation Committee and CHF 800,000 each for the chairmen of the Risk and Audit Committees. These fees are fixed in advance and are not linked to the Group's financial performance. In addition to the greater time commitment required to prepare and lead the committee work, the chair fees consider the engagement of the three committee chairmen throughout the year with global regulators, shareholders, the business divisions and Shared Services functions and other stakeholders. Regulatory developments in the banking industry in recent years have put increasing demands on the Risk and Audit Committee chairmen, in particular, increasing the frequency of interaction with the Group's main regulators on internal control, risk, capital and other matters under the supervision of these committees. Similarly, the greater focus of shareholders and regulators on compensation has resulted in an increased number of engagements between the Compensation Committee chairman and large shareholders and shareholder groups, as well as with regulators. The Audit Committee chair fee also considers the greater number of meetings required of the Audit Committee for the review and approval of the quarterly financial results and related filings (e.g. 18 meetings and calls held during 2014) and the Audit Committee chairman's supervisory role over the Internal Audit function. The Head of Internal Audit has a direct reporting line to the Audit Committee chairman and is required to deliver regular reports to the Audit Committee. The chairman of the Risk Committee is in regular contact with the Group chief risk officer and the senior management in the risk management function. Moreover, the Risk Committee chair fee also considers the additional role Mr. Thornburgh assumes as board member and Risk Committee chairman of the Group's UK subsidiaries Credit Suisse International and Credit Suisse Securities (Europe) Limited. Whereas other non-executive directors of these UK entities receive directors fees for their board and committee roles, Mr. Thornburgh does not receive separate fees for this additional role.

▸ Refer to "Members of the Board and Board committees" in Corporate Governance – Board of Directors for further information.

2014 adjusted compensation for the Board

In proposing the 2014 compensation for the Board, the Compensation Committee considered the final settlement regarding all outstanding US cross-border matters. The Compensation Committee agreed that this event should have consequences for the compensation of the Board, in order to reflect the responsibility it bears in safeguarding the long term reputation and professional integrity of the Group's businesses globally, regardless of which individuals serve as directors at any given time. The Compensation Committee therefore recommended reductions to the compensation awarded to the Board. The Board approved a 50% reduction in their share-based compensation for 2014, which is approximately 25% of total Board compensation. For the Chairman, the 50% reduction was applied against the chair fee, which was reduced to CHF 1 million.

▸ Refer to "Compensation decisions" in Executive Board compensation for more information.

Former members of the Board

Two former members of the Board are eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to former members of the Board or related parties during 2014.

Board compensation for 2014 (audited)

in	Base board fee	Committee fee	Chair fees	Voluntary adjustment [1]	**Total compen- sation** [2]	Awarded in cash	% of total compen- sation	Awarded in Group shares	% of total compen- sation	Number of Group shares [3]
2014 (CHF)										
Urs Rohner, Chairman [4]	2,500,000	–	2,000,000	(1,000,000)	3,629,856	2,629,856	72%	1,000,000	28%	49,481
Jassim Bin Hamad J.J. Al Thani [5]	250,000	–	–	(62,500)	187,500	125,000	67%	62,500	33%	2,510
Iris Bohnet [5, 6]	250,000	100,000	–	(87,500)	267,500	180,000	67%	87,500	33%	3,513
Noreen Doyle [7]	250,000	250,000	280,000	(195,000)	585,000	460,000	79%	125,000	21%	5,019
Jean-Daniel Gerber [5]	250,000	150,000	–	(100,000)	300,000	200,000	67%	100,000	33%	4,015
Andreas N. Koopmann [5]	250,000	200,000	–	(112,500)	337,500	225,000	67%	112,500	33%	4,517
Jean Lanier, Chairman of the Compensation Committee [8]	250,000	350,000	200,000	(200,000)	600,000	400,000	67%	200,000	33%	7,239
Kai S. Nargolwala [5]	250,000	200,000	–	(112,500)	337,500	225,000	67%	112,500	33%	4,517
Anton van Rossum [5]	250,000	100,000	–	(87,500)	262,500	175,000	67%	87,500	33%	3,513
Severin Schwan [5]	250,000	100,000	–	(87,500)	262,500	175,000	67%	87,500	33%	3,513
Richard E. Thornburgh, Chairman of the Risk Committee [8]	250,000	350,000	800,000	(350,000)	1,050,000	700,000	67%	350,000	33%	14,661
Sebastian Thrun [5]	250,000	100,000	–	(87,500)	262,500	175,000	67%	87,500	33%	3,513
John Tiner, Chairman of the Audit Committee [8]	250,000	350,000	800,000	(350,000)	1,050,000	700,000	67%	350,000	33%	14,534
Total	**5,500,000**	**2,250,000**	**4,080,000**	**(2,832,500)**	**9,132,356**	**6,369,856**	**70%**	**2,762,500**	**30%**	**120,545**

1 The voluntary adjustment reflects a 50% reduction in the share portion of each Board member's fees, which was decided by the Board on August 22, 2014, following the final settlement of all US cross-border matters in May 2014. Board fees would normally be awarded as 50% cash and 50% shares, with the exception of the Chairman and Noreen Doyle.

2 For the total compensation awarded to members of the Board, the Group made payments of CHF 0.6 million in 2014 and CHF 0.7 million in 2013 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Board members based on their domicile and employment status. These contributions do not form part of the Board members' compensation.

3 The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period.

4 The chair fee of the Chairman is set at CHF 2.0 million to be awarded as 100% Group shares. For 2014, after applying the voluntary adjustment, the Chairman was paid a chair fee of CHF 1.0 million in Group shares. The applicable Group share price for the chair fee was CHF 20.21. The total compensation of the Chairman includes benefits received in 2014 of CHF 129,856, which included pension benefits, lump sum expenses and child and health care allowances.

5 Except for the Chairman, members of the Board are awarded an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from May 9, 2014 to April 23, 2015. For 2014, after applying the voluntary adjustment, these total combined fees were paid in cash (67%) and Group shares (33%). The applicable Group share price was CHF 24.91.

6 The total compensation of Iris Bohnet includes a payment of CHF 5,000 in 2014 for a speaking engagement at a Credit Suisse sponsored event.

7 In addition to the base board and committee fees, which were awarded as 50% cash and 50% Group shares, the chair fee of GBP 200,000 (CHF 280,000) was awarded in cash to Noreen Doyle as a non-executive director and chair of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited. For 2014, after applying the voluntary adjustment, there was a 50% reduction of the share portion of her Group board fees and a 25% reduction of her UK board chair fee in cash. Noreen Doyle received a chair fee of GBP 150,000 (CHF 210,000).

8 In addition to the base board and committee fees, the three committee chairmen are each awarded a chair fee. The chair fee is awarded as 50% cash and 50% Group shares. For 2014, after applying the voluntary adjustment, the committee chairmen are paid their respective chair fees in cash (67%) and Group shares (33%). The applicable Group share price for the chair fees was CHF 20.21.

Board compensation for 2013

in	Base board fee	Committee fee	Additional fees [1]	Other compen- sation categories [2]	**Total compen- sation**	Awarded in cash	% of total compen- sation	Awarded in Group shares	% of total compen- sation	Number of Group shares [3]
2013 (CHF)										
Urs Rohner, Chairman [4]	2,500,000	–	2,250,000	153,260	4,903,260	3,778,260	77%	1,125,000	23%	39,090
Peter Brabeck-Letmathe, Vice-Chairman [5]	400,000	–	–	–	400,000	200,000	50%	200,000	50%	7,455
Jassim Bin Hamad J.J. Al Thani [5]	250,000	–	–	–	250,000	125,000	50%	125,000	50%	4,659
Iris Bohnet [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	6,523
Noreen Doyle [5]	250,000	100,000	294,000	–	644,000	469,000	73%	175,000	27%	6,523
Jean-Daniel Gerber [5]	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%	7,455
Walter B. Kielholz [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	6,523
Andreas N. Koopmann [5]	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%	8,387
Jean Lanier, Chairman of the Compensation Committee [4]	400,000	–	400,000	–	800,000	600,000	75%	200,000	25%	6,950
Kai S. Nargolwala [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	6,523
Anton van Rossum [5]	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%	6,523
Richard E. Thornburgh, Chairman of the Risk Committee [4]	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	17,374
John Tiner, Chairman of the Audit Committee [4]	400,000	–	1,000,000	–	1,400,000	900,000	64%	500,000	36%	17,374
Total	**6,100,000**	**850,000**	**4,944,000**	**153,260**	**12,047,260**	**8,097,260**	**67%**	**3,950,000**	**33%**	**141,359**

[1] Includes the additional fees for the full-time Chairman and the three committee chairmen as well as the additional fees of CHF 294,000 (GBP 200,000) paid to Noreen Doyle in 2013 as a non-executive director and chair of the boards of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited. The additional fees of CHF 400,000 were awarded to Jean Lanier as Chairman of the Compensation Committee in 2013, a role to which he was appointed as of the 2013 AGM on April 26, 2013.
[2] Other compensation for the Chairman included pension benefits, lump sum expenses and child and health care allowances.
[3] The value of the Group shares is included in total compensation. Group shares are subject to a four-year blocking period.
[4] The Chairman and the three committee chairmen received an annual base board fee paid in cash. They also received additional fees paid in cash and/or shares as determined by the Board in the course of the regular compensation process. The additional fees paid to the three committee chairmen covered their regular memberships in other committees that they do not chair. The additional fees awarded to these four individuals for 2013 were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 28.78.
[5] Except for the Chairman and the three committee chairmen, members of the Board were paid an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from April 26, 2013 to May 9, 2014. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for each of the Risk and Compensation Committees. For 2013, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2013 AGM was CHF 26.83.

Board compensation proposed for approval at the 2015 AGM

Pursuant to the Compensation Ordinance and the Group's Articles of Association, the AGM approves on an annual basis the compensation of the Board in advance as a maximum amount for the period until the next ordinary AGM. Accordingly, the Board will submit the following proposal to the shareholders at the 2015 ordinary AGM:

Approval of the compensation of the Board for the period from 2015 AGM to 2016 AGM

The Board proposes to approve an aggregate amount of compensation to be paid to members of the Board for the 12 month period from the 2015 AGM to the 2016 AGM of no more than CHF 12 million. The total amount is comprised of base board fees, committee fees, chair fees and (if applicable) pension benefits and other benefits as specified in the section "Board of Directors Compensation". The proposed amount excludes any legally required employer contributions to social security systems.

Board shareholdings and loans

Board shareholdings

The table below discloses the shareholdings of the Board members, their immediate family and companies in which they have a controlling interest. As of December 31, 2014, there were no Board members with outstanding options.

Board shareholdings by individual

in	2014	2013
December 31 (shares) [1]		
Urs Rohner	229,492	230,402
Jassim Bin Hamad J.J. Al Thani	19,763	17,918
Iris Bohnet	18,243	15,464
Noreen Doyle	52,984	49,014
Jean-Daniel Gerber	21,550	17,701
Andreas N. Koopmann	46,859	42,569
Jean Lanier	56,665	44,951
Kai S. Nargolwala	176,974	114,666
Anton van Rossum	59,081	56,464
Severin Schwan	25,155	–
Richard E. Thornburgh	184,668	212,530
Sebastian Thrun	2,779	–
John Tiner	70,482	48,471
Total	**964,695**	**850,150** [2]

[1] Includes Group shares that are subject to a blocking period of up to four years; includes shareholdings of immediate family members.
[2] Excludes 144,186 shares and 316,675 shares held by Peter Brabeck-Letmathe and Walter B. Kielholz, respectively, who stepped down from the Board as of May 9, 2014.

Board loans

The majority of loans outstanding to members of the Board are mortgages or loans against securities. Such loans are made to Board members on the same terms available to third-party clients. Each member of the Board may be granted individual credit facilities or loans up to a maximum of CHF 20 million at market conditions. As of December 31, 2014, 2013 and 2012, outstanding loans to Board members amounted to CHF 16 million, CHF 55 million and CHF 41 million, respectively.

Board members with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Board members who were previously employees of the Group may still have outstanding loans, which were provided at the time that employee conditions applied to them. Unless otherwise noted, all loans to Board members are made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans do not involve more than the normal risk of collectability or present other unfavorable features. In addition to the loans listed below, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current Board members have a significant influence as defined by the SEC. Examples include holding executive and/or board level roles in these companies. Unless otherwise noted, loans extended by the Group to such companies are also made in the ordinary course of business and at prevailing market conditions. As of December 31, 2014, 2013 and 2012, there was no loan exposure to such related party companies that was not made in the ordinary course of business and at prevailing market conditions.

▸ Refer to “Banking relationships and related party transactions” in Corporate Governance for further information.

Board loans by individual (audited for 2014)

in	2014	2013
December 31 (CHF)		
Urs Rohner	5,097,475	4,968,270
Andreas N. Koopmann	4,885,919	4,933,650
Richard E. Thornburgh	6,223,479	222,756
Total [1]	**16,206,873**	**10,124,676** [2]

[1] Includes loans to immediate family members.
[2] Excludes loans of CHF 40,631,650 and CHF 4,000,000 held by Peter Brabeck-Letmathe and Walter B. Kielholz, respectively, who stepped down from the Board as of May 9, 2014.

DISCONTINUED COMPENSATION PLANS

The Group has discontinued compensation instruments with leverage components. A summary of the principal forms of awards granted in prior years, which have since been discontinued but are still outstanding, is shown in the following overview. For certain plans, the Group retains the right to settle the instruments in cash or in shares at its discretion.

Principal outstanding deferred variable compensation plans

Restricted Cash Awards

- Basis: cash-based;
- Vesting start: January 2013;
- Vesting end: January 2016;
- Applied to: performance in 2012, which included managing directors in Investment Banking;
- General award conditions: vesting ratably over three years and other restrictive covenants and provisions. Paid in the first quarter of 2013;
- Other award conditions or restrictions: subject to repayment in part or in full if a performance-based malus event occurs, such as voluntary termination or termination for cause during the vesting period;
- Program objective/rationale: promoting retention of senior management.

Plus Bond awards

- Basis: cash-based;
- Vesting start: 2012/January 2013;
- Vesting end: 2012/January 2016;
- Applied to: performance in 2012 for managing directors and directors in Investment Banking. Other managing directors and directors were allowed to reallocate a portion of the share awards into Plus Bond awards. Mandatory Plus Bond awards for managing directors and directors in the Investment Banking division were fully vested on grant, subject to cancellation in the event of a termination with cause or where settlement conditions are violated. Vesting in 2016 for employees who elected to reallocate a portion of their share awards to Plus Bond awards;
- General award conditions: awards are linked to the future performance of a portfolio or unrated and sub-investment grade asset-backed securities that are held in inventory by various trading desks in Investment Banking;
- Other award conditions or restrictions: Plus Bond award holders will receive semi-annual cash payments at the rate of LIBOR plus 7.875% per annum. Holders of Plus Bond awards are subject to a non-compete/non-solicit provision;
- Program objective/rationale: providing employees with a fixed income strategy while transferring risk from the Group to employees thereby contributing to a reduction of risk-weighted assets.

Capital Opportunity Facility (COF)

- Basis: cash-based;
- Vesting start: 94% vested at the time of conversion in February 2014;
- Vesting end: February 2016;
- Applied to: performance in 2011, as this was derived from the conversion of the 2011 Partner Asset Facility (PAF2);
- General award conditions: The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by the COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. COF awards were obtained in exchange for PAF2 awards. PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief up until December 2013. Due to regulatory changes, the capital relief was no longer available after December 31, 2013. As a result, the Group restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to either COF or CCAs, or a combination thereof;
- Other award conditions or restrictions: COF holders will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021;
- Program objective/rationale: providing employees with semi-annual fixed income distributions and a potential return on the reference assets at maturity while transferring risk from the Group to employees thereby contributing to risk reduction and capital efficiency.

Contingent Capital Awards (CCA) derived from PAF2

- Basis: cash-based;
- Vesting start: 94% vested at the time of conversion in February 2014;
- Vesting end: February 2016;
- Applied to: performance in 2011, as this was derived from the conversion of the 2011 Partner Asset Facility (PAF2);
- General award conditions: PAF2 awards participants electing to receive CCA in substitute receive similar terms to the instruments granted as part of the 2013 and 2014 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates (4.51% per annum over the six-month Swiss franc LIBOR or 5.07% per annum over the six-month US dollar LIBOR).

- Other award conditions or restrictions: Settlement is expected to occur in February 2016, subject to regulatory approvals. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by the Group. CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written-down to zero and canceled if any of the following trigger events were to occur: CET1 falls below 7%; or FINMA determine cancellation of the award is necessary;
- Program objective/rationale: Utilized to align compensation with the maintenance of strong capital ratios, provide additional tier 1 capital, and reduce dilution to existing share capital that would otherwise be incurred with the issuance of share-based deferred compensation awards.

‣ Refer to “Contingent Capital Awards (CCA)” in Group compensation for further information.

Adjustable Performance Plan awards

- Basis: cash and share-based;
- Vesting start: January 2011;
- Vesting end: January 2014;
- Applied to: performance in 2010, which included the Executive Board, managing directors and directors;
- General award conditions: Adjustable Performance Plan awards link awards to future performance through positive and negative adjustments. Vesting ratably over a four-year period;
- Other award conditions or restrictions: for revenue-generating employees in the divisions, Adjustable Performance Plan awards are linked to the financial performance of the specific business areas in which the employees work and the Group reported ROE. For employees in Shared Services and other support functions and all Executive Board members, the awards are linked to the Group’s adjusted profit or loss and the Group reported ROE;
- Program objective/rationale: promoting retention of Executive Board members, managing directors and directors.

2008 Partner Asset Facility (PAF)

- Basis: cash-based;
- Vesting start: 2008, 66.7% vested upon grant;
- Vesting end: 33.3% vested in March 2009;
- Applied to: performance in 2008, which included all managing directors and directors in Investment Banking;
- General award conditions: the contractual term of a PAF award is eight years. PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in Investment Banking. The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool as of December 31, 2008, and those assets cannot be substituted throughout the contractual term of the award or until liquidated;
- Other award conditions or restrictions: PAF holders will receive a semi-annual cash interest payment of the LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. They will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool;
- Program objective/rationale: designed to incentivize senior managers in Investment Banking to effectively manage assets which were a direct result of risk taking in Investment Banking during this period. As a result of the PAF program, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the Group’s risk-weighted assets, resulting in a reduction in capital usage.

‣ Refer to “Note 28 – Employee deferred compensation” in V – Consolidated financial statements – Credit Suisse Group for more information.